

BUSINESS WEEK

AUG. 28, 1948



Paul Pignatelli: After rebuilding Pacific Car, he's broadening its base (page 6)

BUSINESS
WEEK
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Who determines jobs and wages?

IF WORKMEN were paid in the goods they produce (instead of in money) we would have industrial peace, greater production, lower prices.

A workman would assemble everything he produced in a day and parcel out:

- some of it to pay for the raw materials he had used.
- a small amount as rent for the factory in which he worked.
- a small amount to management for securing the materials, obtaining the factory, selling his output, keeping the whole operation going.
- a larger amount for taxes.
- a small amount to pay for the modern tools without which he couldn't produce at all.
- a very small amount (so small he could hardly see it) as wages for the money which made possible the factory, tools and materials.

The rest of his production the workman would sell, and that would be his pay.

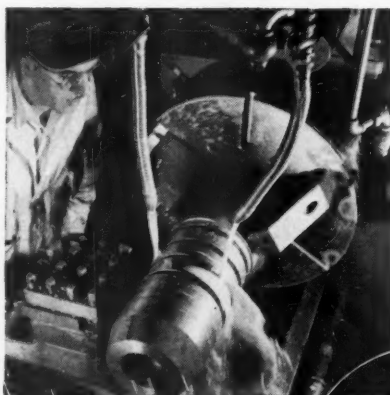
Then you'd see efficient production go up, because the more production, the more left for pay.

Then you'd see workers demand more

modern tools, and use them to best possible advantage.

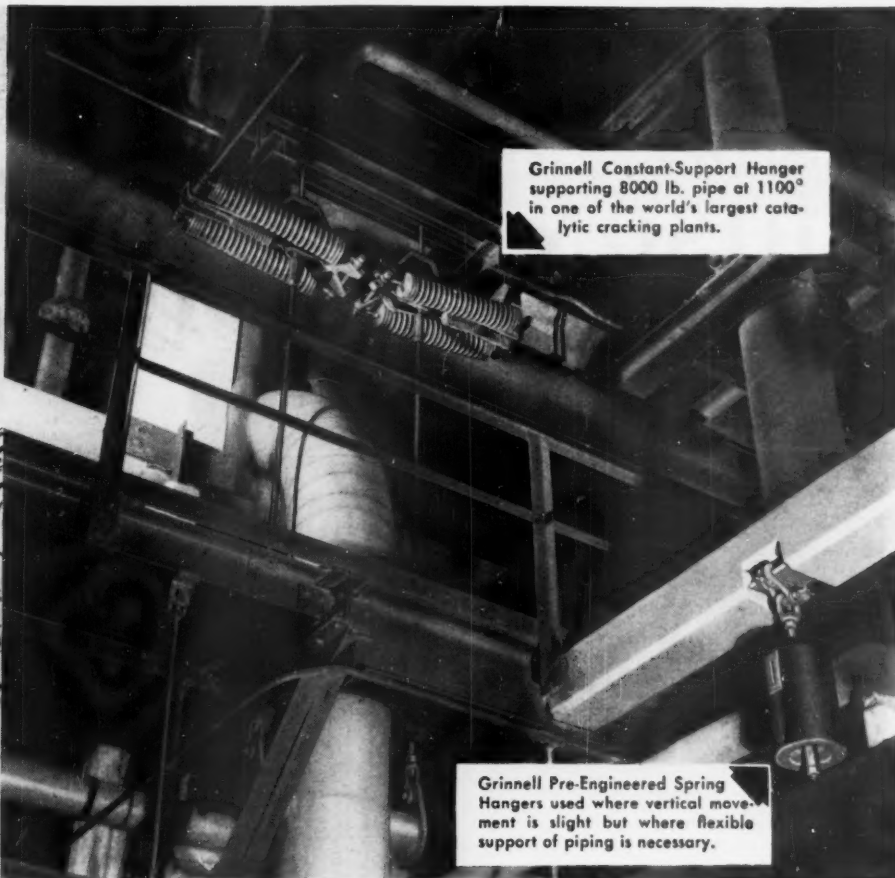
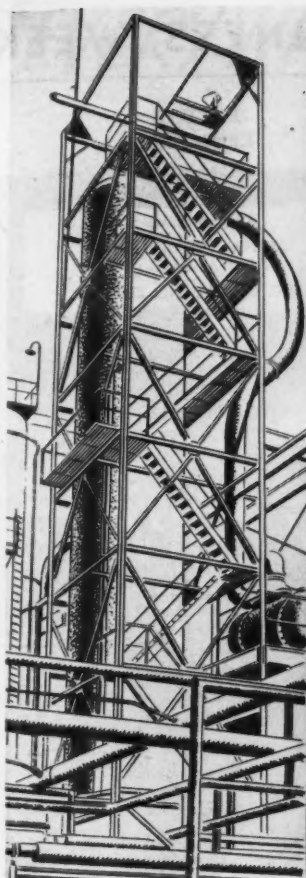
But this *is* the way business really works *right now*. You *do* get paid (and you *can* be paid *only*) out of what you produce. The more goods you produce efficiently, the more you are worth. And as your efficiency goes up, the cost of what you make goes down, so that everybody benefits in lower prices.

It's just that simple: if you want lower prices, a steady job and more pay, you start with more efficient production. And there's *no other way*.



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&
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Grinnell Pre-Engineered Spring Hangers used where vertical movement is slight but where flexible support of piping is necessary.

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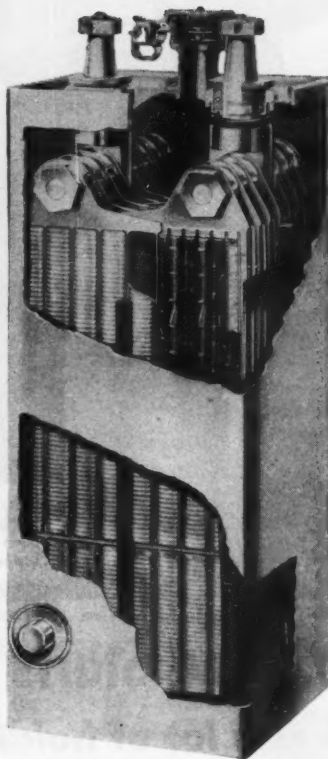
the "inside story" of EDISON STAMINA

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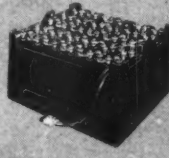
EDISON Nickel-Iron-Alkaline Storage Batteries, known for nearly half a century for long life and dependability, are recognized for their rugged and durable construction. Containers, pole pieces and other structural parts are made of STEEL. Even the active materials are permanently locked in perforated STEEL tubes and pockets. These in turn are securely assembled into STEEL grids to form the positive and negative plates. The STEEL cover is welded to the container—proof that no internal trouble is anticipated for the normal life of the cell.

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ADVANTAGES OF EDISON NICKEL-IRON-ALKALINE BATTERIES:
Durable mechanically; foolproof electrically; easy to maintain;
withstand temperature extremes; can stand idle without injury.



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BUSINESS WEEK • AUGUST 28 • NUMBER 991

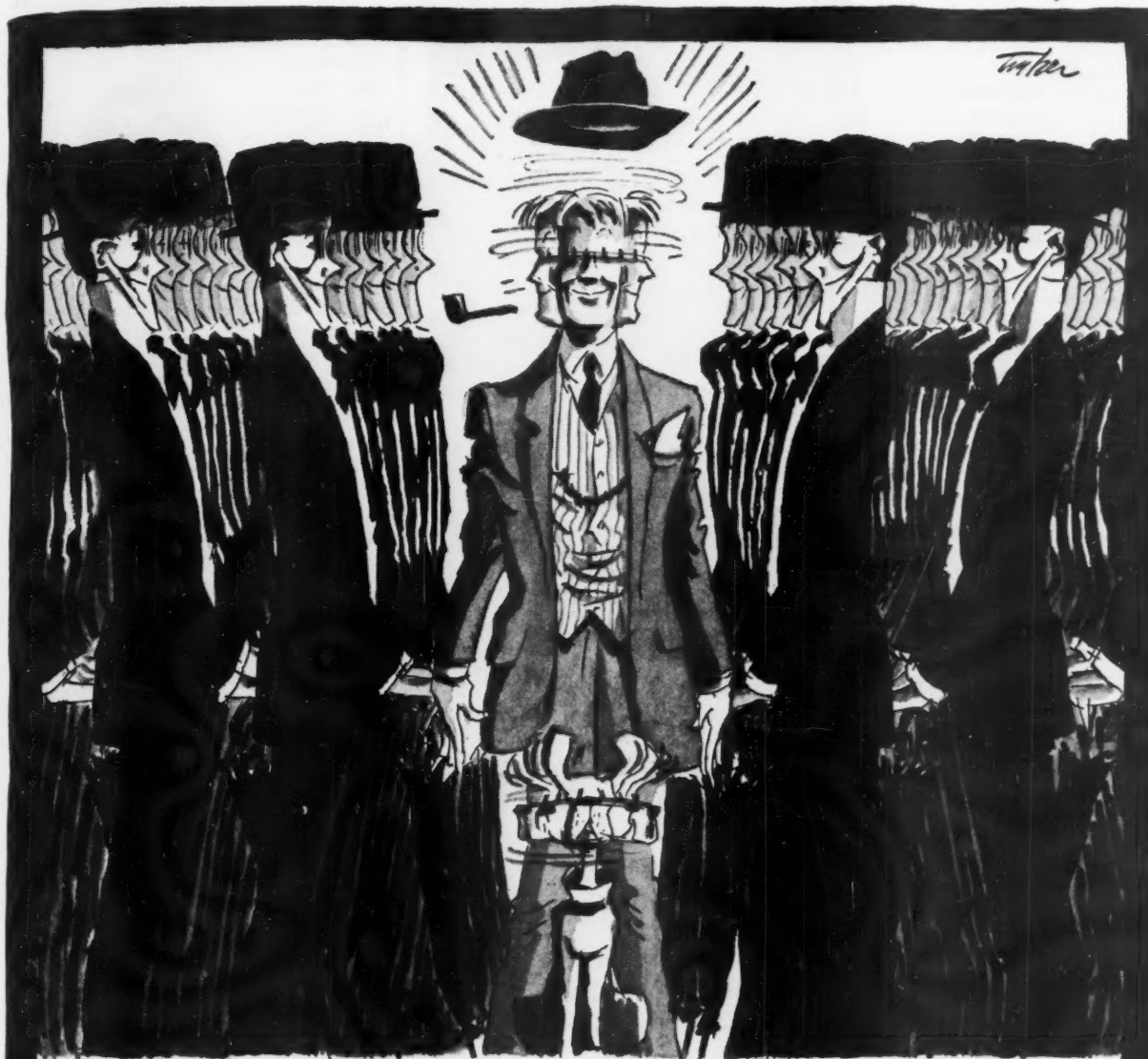
(with which are combined The Annalist and the Magazine of Business) • Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw (1860-1948), Founder • Publication Office 99-129 North Broadway, Albany 1, N. Y. Return postage guaranteed • Editorial and Executive Offices, 1221 N. Broadway, New York 18 • James H. McGraw, Jr., President; Curtis W. McGraw, Vice-President and Treasurer; Eugene Duffield, Executive Assistant for Publications; Nelson Bond, Director of Advertising; Joseph A. Gerardi, Secretary. Address correspondence regarding subscriptions to J. E. Blackburn, Jr., Director of Circulation, Business Week, 99-129 N. Broadway, Albany 1, N. Y., or 330 West 42nd St., New York 18. Allow ten days for change of address.

Subscriptions to Business Week are solicited only from management-men in business and industry. Position and company connection must be clearly indicated on subscription orders. Single copies 25c. Subscription rates—United States and possessions \$6.00 a year. Canada \$7.00 a year. Pan American countries \$10 a year • All other countries \$20 a year • Entered as second class matter Dec. 4, 1935, at the Post Office at Albany, N. Y., under Act of March 3, 1879 • Printed in U. S. A. Copyright 1948 by McGraw-Hill Publishing Co., Inc.—All Rights Reserved.

BUSINESS WEEK • Aug. 28, 1948

"EVERYWHERE I LOOK, I AM!"

by Mr. Friendly



The businessman counted six thousand and two and he said, "That's an awful lot of you!"

Mr. Friendly said with a smile on his face,

"You're right . . . I'm really all over the place . . .

"You see, Mr. Friendly is not just me . . .

It's everyone in the company . . .

I'm a doctor, a lawyer, an engineer, too

I'm the salesman who's just been talking to you . . ."

(Yes! . . . You'll find friendly American Mutual men in 73 offices, ready to help you reduce accidents and boost production with our special I.E. Loss Control* . . . a service included at no extra charge with every industrial policy!)

Mr. Friendly grinned, "I can make this boast . . .

Without moving an inch I'm from coast to coast!

So give me a ring wherever you are

I'm always right near and never too far!"

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THE COVER

As president of Pacific Car & Foundry Co., Paul Pigott's business is building heavy transportation equipment. It's a business his father founded in and around Seattle, then sold. A decade later, Paul Pigott bought control.

Paul was then 33. In the 14 years since, he has developed the company from a small regional manufacturer of logging cars and equipment into a lusty, diversified producer of machines to do big transportation jobs on rails, highways, oceans, and the raw earth. His markets are worldwide.

• **The Man**—Restless and impatient, Paul Pigott is forever looking for new products that will save customers time and money in hauling and will build a broader base for Pacific Car.

His restlessness carries over to two favorite diversions, fly-fishing and hunting. Each year he packs his rod and heads with a group of Pacific Northwest businessmen into British Columbia. It's rich fishing, and Pigott expects a strike on the first cast or he moves on at once. His companions report he'll run the legs off anyone who tries to keep up with him.

Pigott has the tall, solid frame of a natural athlete. He's an excellent golfer. Tennis is a sport he confines now chiefly to teaching his six children.

• **On the Job**—A man with a sharp wit and quick tongue, Pigott is hard to match on repartee. Associates know him also for his searching questions and an uncanny knack for spotting any weakness in a proposal. "Never take a chance on an answer you give Paul," cautions an old-timer. "Be right, or say you don't know. He'll quickly find out if you're wrong."

Pigott is a director of Standard Oil Co. of California, the first from the Pacific Northwest. He has traveled extensively to acquaint himself with Standard. In recent years, too, he has spent more and more time traveling for Pacific Car, seeking out new markets and new customers. Paul Pigott is the company's top salesman.

—Complete story on Pacific Car & Foundry starts on page 52. Cover painting by Ralph Iligan

BUSINESS OUTLOOK

BUSINESS WEEK
AUGUST 28, 1948



How much Uncle Sam competes with you and me for the available supply of goods will govern the price trend from here on.

There would be double trouble if he started running a fiscal deficit to outbid us.

It's like this: The country is using all its materials and manpower. Yet we haven't boosted total output much in over a year. In such a situation, if government spending rises, prices rise, too (barring controls).

That goes on until prices outrun the buying power of the individual. At that point, government gets all it wants; the public goes without.

•
Foreign developments could prove helpful pricewise.

This week there seemed less danger of a stalemate on the German question. To that limited extent, stepped-up spending on the military can be less rapid than if the Moscow conferees had packed up and gone home.

Even a slight slowing of the timetable would make quite a difference.

•
Most of the zip right now is out of the postwar price inflation. There won't be many more cost-of-living wage increases (page 19).

Don't read too much into this, however. Mind these things:

The average of all prices has not yet hit its top, in all probability. It has just slowed down.

Prices of most industrial raw materials still are rising. Not all of this has been passed on to the consumer even yet.

A fourth wage round is in prospect if the labor market still is tight next spring (and it probably will be). Union gains might be confined to "fringe" concessions, but don't get too optimistic.

•
Popular interest from now on will center, of course, in what happens to the cost of living.

Labor Dept. people this week, after posting the latest rise in their Consumers' Price Index, said the figure would go still higher.

In one way, that's a cinch bet. The latest figure is for mid-July. Food prices rose between then and mid-August. This alone is enough to guarantee another new high for the cost of living.

After mid-August, gains are less certain. Meat and dairy products won't slip much, might even rise. But many other foods are lower already—notably fats and oils. Clothing is cheaper, probably will decline more.

Main cost-of-living boosters from now on: fuels and rents.

•
Businessmen should keep a wary eye on cost of imported commodities. These might prove a very sensitive indicator of the market.

Take nonferrous metals, for example. Domestic producers have no worries about their price structure unless foreign selling to the U. S. rises sharply.

Foreigners, of course, need raw materials themselves. It's mainly a question of whether they need dollars more.

•
Some importance must be attached to the lengths to which foreign traders already are going to get dollars.

The most talked of example is buying of Australian wool. French traders, for example, take their British pounds, spend them in the sterling area, and then sell the goods so purchased in the United States. This goes on even

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
AUGUST 28, 1948

though they may take a loss—figured purely in terms of sterling. What they win, however, are precious dollars.

Such deals probably aren't very widespread yet. Nevertheless, they demonstrate western Europe's hunger for dollars to buy American goods—even after the flow of Marshall Plan funds has swelled.

•
Foreign shipments of commodities to the U. S. already are large.

Imports of a dozen selected agricultural and industrial commodities for the first half of 1948 showed gains ranging from 10% (for newsprint) to 290% (jute and jute butts). Exception: cane sugar, down 26% (page 25).

Here is how Washington specialists rate them for the second half:

Higher—Sugar, crude petroleum, jute and jute butts, copper.

Little changed—Coffee, fertilizers, newsprint, bananas.

Lower—Unmanufactured wool, hides and skins, oil seeds, wood pulp.

•
Declining prices—or even a leveling off—would have quite an effect on federal finances.

Rising prices make a substantial contribution to national income.

Farmers make more. Corporations tend to make more—or have for the past couple of years. Workers get more pay. All this is taxed.

Thus, with national income constantly rising, Treasury receipts have consistently been outrunning estimates. The steeply graduated personal income tax, too, helps the size of the tax bite.

Reversing that process would be painful. Congress counted on a Treasury underestimate when cutting taxes and, at the same time, appropriating for fiscal 1949 as liberally as it did.

•
Discontinuance of trading in flaxseed early this week probably looked like a tempest in a teapot to most people not interested in the crop. However, it has more significance than that.

It was a test to see if the government would take everything in sight at the support price. If so, the trade will buy hand to mouth, strictly as needed.

Moral: A surplus is a surplus, no matter who holds it. That is one reason both wheat and corn futures have sold under the support level.

The flax crop, second largest on record, is a \$265-million morsel.

•
The rubber industry's comeback is continuing.

P. W. Litchfield, Goodyear's chairman, this week predicted that 1948 tire output will reach 86-million casings compared with 1947's record 100-million.

Production of passenger-car tires by June had risen almost to 6.3-million a month. Truck and bus casings brought the total above 7.8-million.

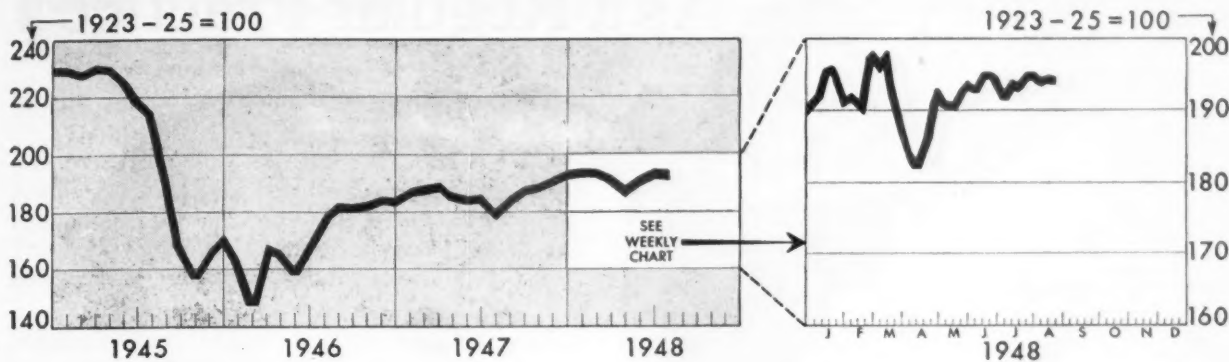
And they were moving. Shipments exceeded production.

•
Top brass at the Pentagon will start tearing its hair and yelling for censorship if information like this continues to be published:

Deliveries of aircraft to the armed services didn't vary a great deal in the months of April, May, and June. In number of planes, that is. But, in terms of airframe weight, the quantity doubled from April to June.

This intelligence is contained in a regular monthly Facts for Industry report prepared by the Bureau of the Census. There isn't even a footnote to the Kremlin, saying: "Make of this what you like."

FIGURES OF THE WEEK



Business Week Index (above) *194.8 †194.9 195.4 184.7 162.2

PRODUCTION

Steel ingot operations (% of capacity).....	95.9	95.0	93.1	93.4	97.3
Production of automobiles and trucks.....	113,847	†112,342	118,797	84,726	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$23,346	\$24,141	\$24,035	\$17,229	\$19,433
Electric power output (million kilowatt-hours).....	5,391	5,318	5,342	4,953	3,130
Crude oil (daily average, 1,000 bbls.).....	5,521	5,507	5,448	5,153	3,842
Bituminous coal (daily average, 1,000 tons).....	2,077	†2,019	2,037	1,955	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	82	80	78	85	86
All other carloadings (daily average, 1,000 cars).....	67	67	70	66	52
Money in circulation (millions).....	\$27,979	\$27,966	\$27,864	\$28,239	\$9,613
Department store sales (change from same week of preceding year).....	+15%	†+17%	+9%	-6%	+17%
Business failures (Dun & Bradstreet, number).....	94	103	91	59	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	424.9	428.0	432.6	419.7	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	278.3	279.2	276.9	266.2	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	348.9	355.3	378.8	375.2	146.6
Finished steel composite (Steel, ton).....	\$93.55	\$93.55	\$93.55	\$75.41	\$56.73
Scrap steel composite (Iron Age, ton).....	\$43.16	\$43.16	\$43.16	\$37.83	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	23.500¢	23.500¢	21.500¢	21.500¢	12.022¢
Wheat (Kansas City, bu.).....	\$2.18	\$2.16	\$2.19	\$2.34	\$0.99
Sugar (raw, delivered New York, lb.).....	5.76¢	5.78¢	5.73¢	6.32¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	30.89¢	†31.30¢	34.05¢	33.49¢	13.94¢
Wool tops (New York, lb.).....	\$1.780	\$1.789	\$1.941	\$1.725	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	23.08¢	23.67¢	24.88¢	15.45¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	127.2	125.5	128.8	121.7	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.45%	3.44%	3.38%	3.18%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.84%	2.85%	2.82%	2.56%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-14%	14%	14%	14-14%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	14%	14%	14%	1%	4-4%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	46,746	46,703	46,726	46,780	††27,777
Total loans and investments, reporting member banks.....	63,399	63,032	63,175	63,646	††32,309
Commercial and agricultural loans, reporting member banks.....	14,872	14,819	14,502	12,301	††6,963
Securities loans, reporting member banks.....	1,431	1,545	1,797	2,047	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	34,904	34,652	34,879	38,527	††15,999
Other securities held, reporting member banks.....	4,405	4,341	4,318	4,227	††4,303
Excess reserves, all member banks.....	770	1,050	840	721	5,290
Total federal reserve credit outstanding.....	22,125	22,064	21,888	22,636	2,265

*Preliminary, week ended August 21st.

†Revised.

‡Date for "Latest Week" on each series on request.

††Estimate (B.W.—Jul.12'47,p.16).

We Don't Recommend This As a Regular Practice—



... But we wouldn't be too alarmed—if the kitchen table were finished with Duranite-H. You see, Duranite-H is chip-resistant. Matter of fact, we wouldn't worry if acids, greases or soap fell on a Duranite-H covered surface. Duranite-H resists these ravages, too.

Manufacturers who apply Duranite-H to their products don't worry either. This tough, permanent, glossy finish is applicable over steel, aluminum, magnesium. Duranite-H approaches the best properties of porcelain—and beats porcelain at impact-resistance, adhesion, flexibility . . . and economy. Tested and proved, Duranite-H resists the weatherman, too. Come heat and humidity—come salt spray from the sea—Duranite-H does not fail.

Finish is usually only a small item in the cost of an article. But it is almighty important in creating sales—and a profit factor in sales turnover. Duranite-H is a profit-maker—it has what it takes for appearance and damage resistance. Profit-minded executives will regard its initial cost as a sound investment in sales appeal for quality lines of merchandise.

Duranite-H has primary advantages that are apparent. But it has unexpected qualities for specific products—it may be more than worth while to investigate Duranite-H for your finish problems.

**For Finishes, address Atlas Powder Company
at Stamford, Conn, or North Chicago, Illinois**



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WASHINGTON OUTLOOK



IS THE MARSHALL PLAN broad enough to insure European recovery? After 15 months of planning, five months of operation, that's a very real question.

Despite the early gains from the promise of the Marshall Plan—in Italy, France, Greece—people aren't so sure now that the real long-range job can be accomplished along present lines alone. They are beginning to say that you've got to add political and military legs to the stool.

They argue that you have to have political unification of Europe before Paul Hoffman's Economic Cooperation Administration can do the job of getting Europe back on its feet economically.

Last year, when Marshall first put forward his plan, the idea was this: With American help, the nations of Europe could work together on economic measures, could build a self-supporting economy.

It doesn't seem to be working out that way.

National political necessities are making it hard to plan internationally for European industry and agriculture.

Behind each planner on the 18-nation organization at Paris stand his own nation's foreign ministry and chief-of-staff. They keep reminding him that he has his own country's security to think of.

Example: France fears to tie its manufacturing to the flow of Ruhr steel that ECA proposes; its general staff demands an independent French steel industry, preferably bigger than Germany's.

Cross-purposes like this make it impossible for the Organization for European Economic Cooperation to do a workmanlike job of putting together this quarter's ECA requirements; their \$1.7-billion schedule had a half-billion of water in it.

So what can be done to override Europe's nationalistic fears and pave the way for political union?

As one answer, some of the original Marshall Plan crowd are joining with the "stop-Russia-with-force" wing of U.S. policy-makers in talking up U.S. military alliance with western Europe.

The Senate spoke well of this, as a containment move, in adopting the Vandenberg resolution last June. And desultory negotiation between the Western European Union and the State Dept. has been going on since.

PAUL HOFFMAN PERSONALLY is still enjoying his Washington honeymoon, despite the qualms

about the Marshall Plan. And five months is a good deal longer than Washington honeymoons usually last.

We've been checking around town—on Capitol Hill, among the embassies, at the State Dept. and at ECA—trying to find out what people think about him.

We really didn't find any complaints about Hoffman. In Truman's Washington, the way Hoffman has taken hold of the job looks awfully good to people—particularly since he demonstrated at Paris that Hoffman the salesman could be tough, too.

The flaws people find in ECA they lay to the law, not to Hoffman. ECA admittedly is tangled up in red tape. The bulk of the personnel spends its time checking, rechecking, and checking again each item bought, each penny spent. Top officials feel more like bookkeepers and auditors than like investment bankers for the recovery of Europe.

The strict-accountability provisions that cause this were written into the law deliberately. And in a sense they are a protection for ECA's good name in the future.

But the current fad of setting up congressional committees to watchdog important programs is revealing some of its bad features in the case of ECA.

The awareness that the Bridges committee is second-guessing them, in Europe as well as in Washington, makes ECA people jumpy and timid. The result is that ECA is constantly tempted to base decisions on how they'll look to congressmen, rather than on the merits.

Then, too, the committee's energetic probing sometimes seems like an intolerable nuisance. Witness the plight of the commodity expert whose five-man staff already is working day-and-night: He has to find time to write out detailed answers to 12 pages of questions posed by the committee about what he's doing.

BETTER USE OF MANPOWER won its place in the draft machinery this time. It never did during World War II.

The headlines didn't say so, but there has been a basic change in the whole approach to the division of men between industry and the military.

Truman accepted the National Resources Planning Board's demand (BW-Aug.21'48,p16) that this division be made, at a national level, by civilian experts who "shall in all respects be independent of the director of selective service." In

WASHINGTON OUTLOOK (Continued)

World War II, the manpower experts never really got their finger into the draft apparatus. The decision always rested with boards of neighbors or generals.

Of course, Truman's decision doesn't make too much difference in this little draft. But it would open the way for allocating men in another war as scientifically as materials were in the last one.

The detailed regulations on occupational deferments are due in a month or so. They'll exempt men who fall into specified occupations. But no specific industry would get a blanket deferment.

That is: A clerk in an airplane plant could be called; but a tool maker would stay home wherever he worked.

Occupations already picked for deferment include professional engineers and scientists, underground miners, tool and die makers, and farm workers. Provisions for technical students haven't been fully worked out, but they will be liberal.

AN ESPIONAGE STORY involving transfer of atom-bomb data to Russia is the next sensation on the Un-American Activities Committee schedule.

The story comes from the security files of the old Manhattan District. This is what the committee plans to reveal to the public:

An American physicist working at the Chicago Atom Laboratory transmitted a milligram of separated uranium-235 to Dr. Allan Nunn May—who later was convicted by the British of spying for Russia. The committee has the American's name.

The transfer was discovered at the time by Manhattan District security officers, and the scientist was fired. He has been under surveillance ever since.

The Thomas Committee's disclosure will provide an answer to one of the mysteries of the Canadian spy case—where did Dr. May get his sample of the atom-bomb explosive? The Canadian Royal Commission conjectured only that it might have come from Montreal.

A milligram of separated uranium-235 is a very different thing from the natural uranium salts that the Board of Economic Warfare shipped to Russia in 1943 and 1944.

The committee got excited about that item a week or so ago. But actually that uranium was a

standard article of commerce; prewar shipments were continued during the war to avert suspicion.

On the other hand, a milligram of U-235 is something that couldn't then be obtained outside the U. S. bomb project.

And a milligram is enough to reveal crucial information to any physicist. The Hiroshima bomb and the Hanford plutonium plant were both designed on data obtained from comparable samples.

JOHN L. LEWIS HAS ELECTED a "mouthpiece" to Congress.

He is James S. Golden, a United Mine Workers attorney. He won the G.O.P. nomination in Kentucky's Harlan County (ninth district) in a five-man race with U.M.W.-C.I.O.-A.F.L. support. With no Democratic opponent, Golden is a sure winner in November.

THE LAG IN ATOMIC POWER development, as against bomb-making, is producing a drastic shakeup inside the Atomic Energy Commission.

General Manager Carroll Wilson is rumored to be on his way out; he was kicked upstairs by importation of Carleton Shugg from Hanford to take over Wilson's operating jobs.

Of the five major AEC division heads, only two are likely to survive.

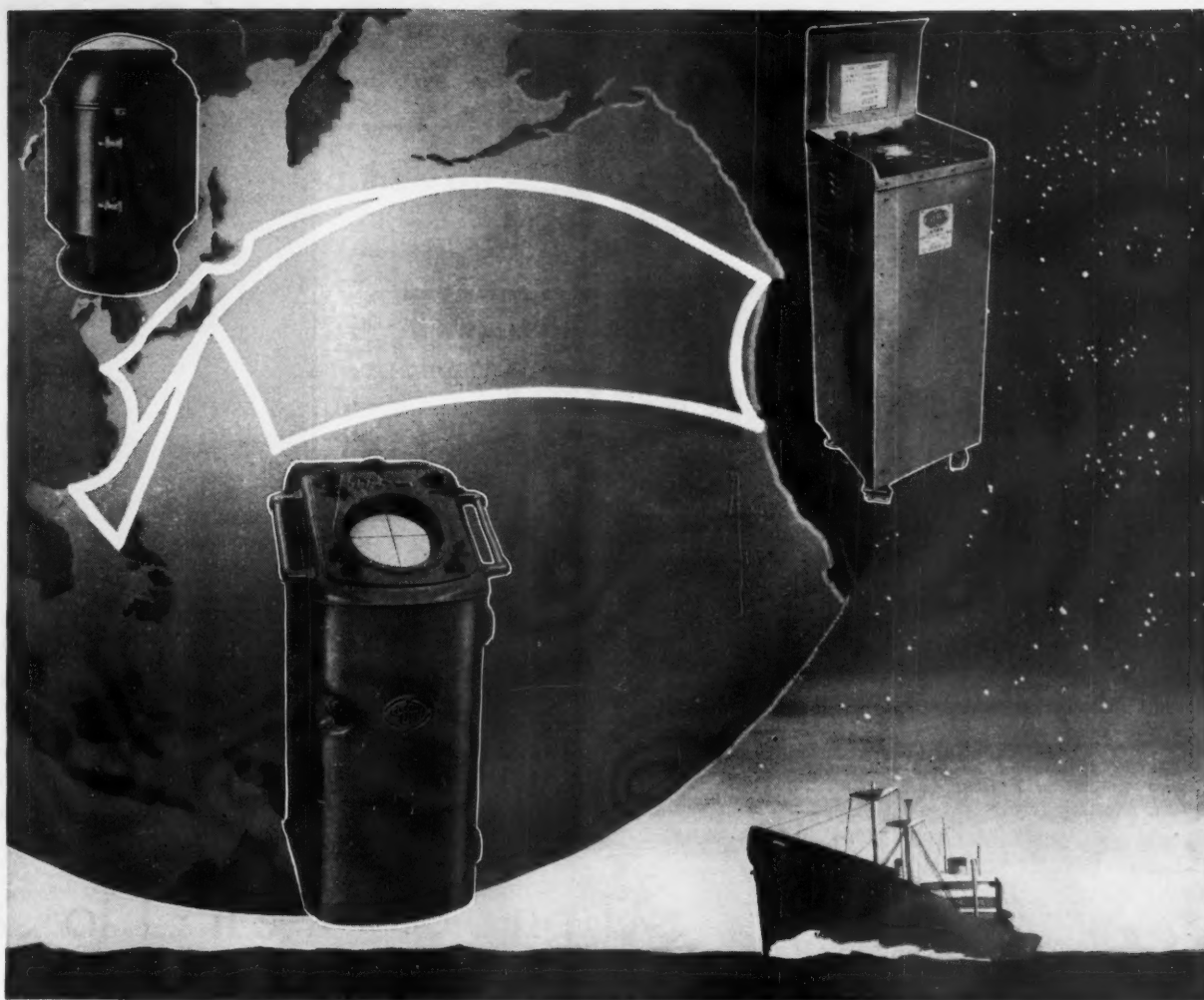
The big administrative change is creation of a new reactor (atom-pile) division to take complete charge of power development.

The new division is AEC's answer to criticism it has been getting from both industry and the military. Its own industry advisory committee says AEC has been spreading power work too thin; Air Force and Navy are furious over lack of help in developing atomic plane and ship engines.

Behind the scenes: Last June, Forrestal demanded that AEC give more help to the Fairchild-Air Force NEPA (airplane engine) and the Westinghouse-Navy NEPS (ship propulsion) projects. AEC's response was to hire Massachusetts Institute of Technology to review the feasibility of what the military was doing.

Navy exploded. The Bureau of Ships wrote Lilienthal, accusing him of indifference and incompetence and serving notice that NEPS proposed to cut loose from AEC.

Now the admirals are goading Forrestal to demand that AEC turn over its General Electric-operated Knolls Power Laboratory to the Navy.



"Triple Watch round the great circle"

Three Sperry instruments now stand watch on each of the *nine* vessels operated jointly by the States Steamship Company and the Pacific-Atlantic Steamship Co., as they swing round the Great Circle track from U. S. West Coast ports to the Pacific Islands and the Orient. Radar, Loran and the Gyro-Compass are the trio which—in the words of a States Line captain—"add considerably to the shipmaster's peace of mind."

— Sperry Radar provides Pacific-Atlantic captains with "indisputable" bearing and position . . . whether navigating the Tsugaru Straits in a heavy snowstorm, the Korean coast in rain and fog, or the An To to Jinsen run in the dark.

— Other ways in which Radar is

said by these shipmasters to help make navigation "easy and safe" are . . . preventing collision and loss of time en route or entering confined waters . . . determining the course and speed of oncoming vessels . . . checking the distance and bearing of harbor entrance buoys . . . detecting direction of wind on the radar scope.

— Sperry Loran likewise brings "peace of mind" to Pacific-Atlantic shipmasters, helping them to surmount the handicaps of fog and heavy overcast and undependable celestial fixes.

— With Loran the navigator obtains

fixes that are "perfect" within range of U. S. Pacific Coast stations . . . "fair to good" from Aleutian Island and Japanese stations . . . "indisputably correct" as far as 800 miles off the Pacific Coast.

— Sperry Gyro-Compass provides true north navigation despite electrical and magnetic disturbances.

— First to equip its entire fleet with this modern trio of instruments, States Line vessels get there faster, more safely, over a shorter course . . . regardless of weather, visibility or what lies ahead.



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What's Happening to the Cost of Living

	Food	Clothing	Rent	Gas & Elec- tricity	Other Fuels & Ice	House Fur- nishings	Misc.	Total Cost of Living
August, 1939	93.5	100.3	104.3	99.0	96.3	100.6	100.0	98.6
January, 1941*	97.8	100.7	105.0	97.4	104.2	101.1	101.9	100.8
July, 1941	106.7	104.8	106.1	97.1	107.4	107.4	103.7	105.3
July, 1942	124.6	125.3	108.0	96.7	115.6	122.8	111.1	117.0
July, 1943	139.0	129.1	108.0	95.9	118.9	125.6	116.1	123.9
July, 1944	137.4	138.3	108.2	95.9	123.2	138.7	122.0	126.1
July, 1945	141.7	145.9	108.3	95.2	126.7	145.6	124.3	129.4
July, 1946	165.7	158.7	108.7	92.1	133.8	157.9	128.2	141.2
July, 1947	193.1	184.7	110.0	91.7	146.6	184.3	139.5	158.4
August	196.5	185.9	111.2	92.0	154.8	184.2	139.8	160.3
September	203.5	187.6	113.6	92.1	156.3	187.5	140.8	163.8
October	201.6	189.0	114.9	92.2	157.4	187.8	141.8	163.8
November	202.7	190.2	115.2	92.5	160.5	188.9	143.0	164.9
December	206.9	191.2	115.4	92.6	162.0	191.4	144.4	167.0
January, 1948	209.7	192.1	115.9	93.1	165.0	192.3	146.4	168.8
February	204.7	195.1	116.0	93.2	165.9	193.0	146.4	167.5
March	202.3	196.3	116.3	93.8	166.0	194.9	146.2	166.9
April	207.9	196.4	116.3	93.9	166.7	194.7	147.8	169.3
May	210.9	197.5	116.7	94.1	168.6	193.6	147.5	170.5
June	214.1	196.9	117.0	94.2	170.1	194.8	147.5	171.7
July, 1948	216.8	197.1	117.3	94.4	174.2	195.9	150.8	173.7

* Base month NWLB's "Little Steel" formula. Data: U. S. Bureau of Labor Statistics; 1935-39=100.

C. of L.: It's Still Going Up

And it won't come down much until the cost of food stops climbing. Despite bumper grain crops, that won't happen for at least a year, when the grain has been turned into meat.

The Bureau of Labor Statistics this week revealed that the U. S. cost of living is still zooming (table, above). The figures it released show that the over-all c.-of-l. index was exactly two points higher in July than it was in June.

• **Higher Wages**—To the U. S. business-man, this will mean more than just higher grocery bills. It is also, in many an industry, going to mean higher wages later on, if not now.

One immediate result: The new c.-of-l. figures make it necessary for General Motors Corp. to pay another raise to its employees. Under a formula in its contract with the C.I.O. United Auto Workers, signed in May, G. M. agreed to pay its workers 1¢ an hour more for each 1.14 points the cost-of-living index rose each quarter (BW—May 29 '48, p. 96). Thus, some 265,000 hourly-rated workers will automatically get an extra 3¢ an hour. And 68,000 salaried workers will get \$15 each in December as an adjustment for the preceding quarter.

Other companies that do not hitch wages to the price index are more likely to get a delayed reaction. They will have to bargain again with unions next spring though.

• **Importance of Food**—The chances for a break in the cost-of-living climb depend largely on a break in food prices—the heaviest factor in determining the index. The average American spent 30% of his disposable income on food in 1947 (as against 23% during the years 1935-39).

Meanwhile, the index of the cost of food is still rising; it went up more than 24 points in July. Theoretically, it's supposed to go down when farm production booms.

• **Prices Down?**—And what about the food production outlook? The crop forecast for 1948 is that it will be the biggest ever. That in turn means that the prices of grains will fall (they have already started). And since grain is the basis of all important foods, won't that bring down the cost-of-eating in gen-

eral—and thus start the cost-of-living spiral downward?

The answer is no—at least for about a year. Here's why:

• **Corn Pone vs. Steak**—If factory labor were used to a diet of corn pone and wheat bread, falling grain prices would probably bring a big cut in food costs. But when union leaders talk about the high cost of food, they are thinking about milk, butter, eggs, steaks, pork chops. And there will be no bumper crop of these for another year—assuming that demand stays at its present level.

Demand probably will stay up because these are the favorite foods of the average American. During the recent years of prosperity, their popularity has risen right along with their prices. Some comparisons that have been compiled by the Bureau of Agricultural Economics show the gain:

• **The Figures**—Since the 1935-39 period, the price of meat has gone up 155%. Yet the 1948 per-capita consumption of meat in the U. S. will be 15% higher than it was then. Likewise, the price of poultry products has risen 199%, with consumption this year due to run 27% higher. And while dairy products cost 106% more, there won't possibly be enough produced to meet demand this year.

And what about grains? They have gone up only 71% in price. Yet their consumption this year will be 26% less than it was in the 1935-39 period. Thus, the big food item which has increased least in price has dropped way down in consumption.

• **Eventual Effect**—Nevertheless, lower grain prices will definitely mean lower food prices—eventually. The reason is that the grain will go to feed, thus raise livestock production. But the effects won't be felt for a long time because there is a shortage of livestock now.

That, in turn, is due to the fact that high grain prices last year led farmers to slaughter livestock instead of feeding it on expensive grain. Thus, the current shortage plus heavier-than-usual demand will keep prices of meat and meat products high.

• **Outlook**—Against this background, here's what the production of foodstuffs—and its effect on prices—looks like during the coming year:

Poultry and eggs. These can make the shift from shortage to surplus faster than any other part of the livestock industry; commercial broilers are already higher in output. Yet although hatcheries in June produced 7% ahead of June last year, they were still running

some 24% below the 1942-46 average.

And even though feed costs fall, there will probably be less poultry meat this year. This reason is that cheaper feed will tend to make farmers keep their flocks back for egg production. Despite this holdback, there will be 5% to 10% fewer laying hens next January than last January. Thus, there will be no really big price skid in eggs.

Pork. Hogs can make the second-fastest production increase. But the first effect of the big corn crop will be to cut the number of marketings this year.

Hog slaughter in the first nine months of 1949 may be slightly bigger than during the same period this year. And the slaughter weights will probably be unusually large. But the 1949 spring crop of pigs won't be sent to market until fall, when they are fattened up. So no real increase in pork production—and, thus, no big drop in pork prices—will come until a year from now.

Beef. Production can't rise fast enough to affect supplies until 1950. The expected slaughter for 1949 will be around 7% less than it is this year. That's because the cattle population is down—in fact, estimates place the present cattle population at one of the

smallest on record. The way to build it up again is to keep cattle off the market now.

Dairy products. Production in 1948 will be below last year's. It's about 4% lower so far, probably won't get back to the 1947 rate before year's end. But fluid-milk consumption is about the same as it was last year. Result: Production of cheese and butter will be down about 15%, ice cream will be down about 10%. Milk production can't be boosted enough to have a major effect on supplies until 1950.

Fats and oils. The total supply is way low this summer. Not only are stocks down, but also output of soybean oil and lard will drop off more than seasonally this summer. This is offset somewhat by a cutback in exports. But consumption is very high—so high that it will put stocks at the bottom of the barrel by Oct. 1.

• **No Collapse Possible**—Don't expect the bottom to drop out of the grain market; thus offset the driving momentum of high food demand and short supply. That can't possibly happen because the government must support farm prices at 90% of parity.

With food playing such an impor-

tant part in the cost of living, it is a safe bet that the general price level—barring something completely unexpected—won't do more than level off during the coming year.

Nylon's Brother

Du Pont announces "Orlon"
—a synthetic fiber to fill gap between nylon and rayon.
Many uses possible.

This week E. I. du Pont de Nemours & Co., Inc., said it had come up with a major fiber development as spectacular as nylon (which appeared in 1938). This new synthetic textile fiber is called "Orlon."

• **Its Field**—Orlon is neither a nylon nor a rayon. It is an entirely new fiber, with distinct chemical properties of its own. (Nylon is made from coal tar or petroleum; rayon from wood pulp. Orlon's base is natural gas or petroleum, or both.)

Orlon fills a gap in price and performance that the industry has seen for some time between nylon and rayon. Nylon is relatively high in price, but it is also high in strength, elasticity, and many other good qualities. Rayon is low priced, but it has some drawbacks; for instance, it's not too strong when wet.

• **Characteristics**—One of Orlon's most important traits is its resistance to sunlight, which fades most textiles. So it's a good bet for automobile tops, awnings, sails, and many other outdoor uses.

Orlon is not easily damaged by chemicals, especially acids. It does not deteriorate at high temperatures, and is resistant to insects. So industry will be able to use it in many ways: Electrical insulation, cordage, acid-resistant materials are among those that seem likely.

It can be used for clothing and home furnishings: shirts, curtains, water-repellent rainwear, work clothes, and women's underwear. It doesn't take color so well as other textiles do, but is easily washed.

• **New Plant?**—Orlon was tested by the Army during the war, under the name of "Fiber A" (BW-Oct.13'47,p48). Production is still in the pilot-plant stage, so costs are hard to figure out. (The eventual price is expected to be somewhat closer to rayon than nylon. It's rumored that du Pont will build an Orlon plant at Camden, S. C. Full-scale output may be about two years off.

Du Pont is not the only one working on a new fiber of Orlon's properties. Union Carbide & Carbon Corp. and American Viscose Corp. have also been experimenting with synthetic fibers made from acrylic and vinyl resin compounds, the most likely source.

Estimated production of major foods.

	1948 as a Percentage of:	
	1947	1935-39
Total meats.....	91%	132%
Poultry and eggs		
Eggs	97	147
Chicken (dr. wt.).....	95	142
Turkey (dr. wt.).....	76	131
Dairy Products		
Total milk	98	113
Cheese	92	116
Cond. and evap. milk.....	101	160
Fluid milk and cream.....	101	131
Total fats and oils.....	95	108
Fruits		
Citrus	90	131
Apples (commercial)	91	82
Other (excl. melons).....	90	106
Canned fruit	97	152
Canned fruit juices.....	117	684
Frozen	114	377
Dried	98	105
Vegetables		
Fresh	102	120
Canned	91	134
Frozen	105	463
Sugar, raw basis.....	88	98
Grains		
Wheat	91	164
Rye	103	59
Rice, milled	109	179
Corn, grain only.....	139	146
Oats	117	136
Barley	110	128

Data: Bureau of Agricultural Economics.

Continuous Casting: Revolution in Steel Making?

Babcock & Wilcox and Republic turn a century-old dream into a pilot plant that produces steel more quickly, cheaply. Process eliminates need for "soaking pits" and rough rolling.

Towers like this may be cutting the cost of steel making within a few years. Molten metal from the furnace is poured in at the top; steel in semi-finished form—ready for finishing into bars, strip, or other products—comes out at the bottom. This newly developed short-cut process is known as continuous casting.

• **Dream Stuff**—The method was dream stuff until last week when Republic Steel Corp. and Babcock & Wilcox Tube Co. revealed that they have been successful in producing steel that way. They announced that a pilot casting tower has been in production at Beaver Falls, Pa., since March.

Continuous casting eliminates several expensive steps in steel making. At present, molten steel tapped from the open-hearth furnace, electric furnace, or Bessemer converter is poured into ingot molds. The ingots are removed from the molds, and shipped hot to the blooming mill. There they must be held in pit furnaces, called "soaking pits," until the high temperature inside the ingot has become equalized with its cooler outside, and the proper rolling temperature exists throughout the whole mass. Then the blooming mill rolls the ingot into blooms or billets. These are chunks of steel in sizes easier to handle than the big ingots.

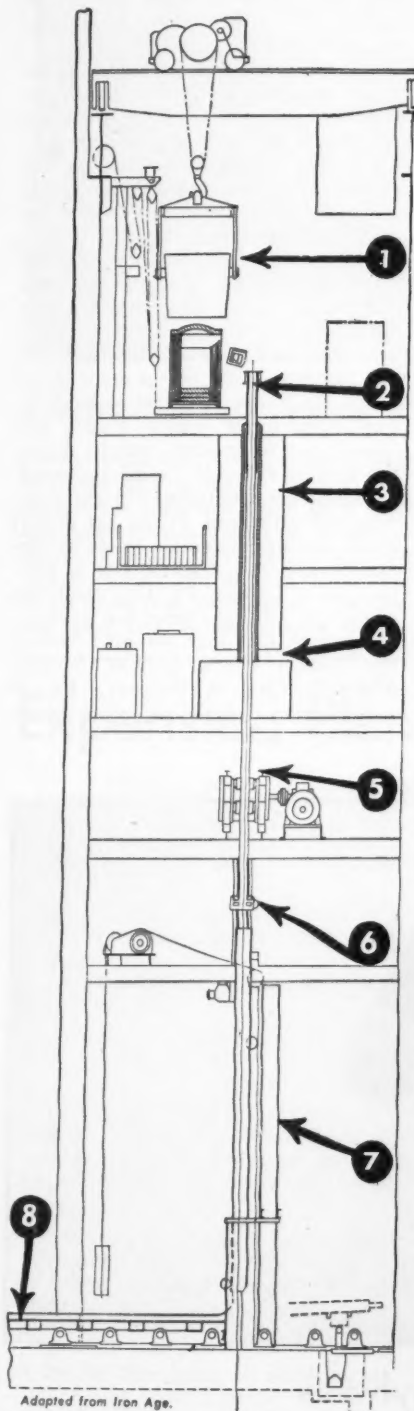
• **Cuts Steps and Costs**—All this takes massive equipment and lots of manpower. Casting towers, say the two

companies, are much simpler. They practically eliminate all the conventional steps between molten steel and semifinished steel—there is no more making of ingots, soaking them in furnaces, and putting them through a blooming or billet mill.

This means a saving in time and money. The casting tower calls for a smaller capital investment, requires lower operating costs. Some observers are even talking about savings in production of \$3 or more. The companies won't make any such estimate at this early stage. But they do say that casting towers would be ideal for small-scale, decentralized steel production by nonintegrated mills.

• **How It Works**—Here's how the casting tower (sketch) works. Molten steel is emptied from a ladle (1) into a heated holding ladle, which pours it into a water-cooled mold (2). The mold forms the fluid steel into a continuous ribbon with an oval shape and chills it to hardness. The chilled steel goes down through an insulating sleeve (3 and 4). Speed is controlled by pinch rolls (5), and the billet is cut to desired length by an automatic acetylene torch (6). The cut billet (8) is then lowered to the horizontal by a cradle device (7).

• **New Era**—Iron Age magazine last week gave other details on the new development. Successful continuous steel casting realizes a 100-year-old dream



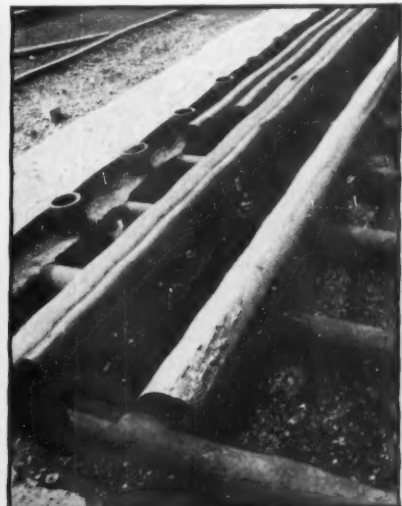
CASTING MECHANISM . . .

This diagram shows how continuous casting developed by Babcock & Wilcox and Republic turns molten metal into semifinished steel. (Numbers explained in article)



. . . IN TOWER BUILDING . . .

Liquid steel is carried in ladles to the top of this 75-ft. tower. It cools in molds on the way down, comes out at the point where the men are standing



. . . MAKES SEMIFINISHED STEEL

Billets that emerge are ready to be rolled in finishing mills, bypassing the "soaking pit" and blooming mill stages of production. (Pipes in background are not made in tower)

of metallurgists—a dream of putting hot metal into a cooled mold and getting a steel shape out of the other end. Sir Henry Bessemer, who has been called father of steel making, experimented with it.

As a matter of fact, the ingot-rolling process—which may eventually be replaced by continuous casting—is basically the same as that used by metal workers in the dawn of history. They made a mold, poured in metal, then took out the casting to be reheated and hammered into shape.

• **Nonferrous Use**—Continuous casting of nonferrous metals became practical about 10 years ago, after decades of effort. It operates at relatively low capital investment. Only a few men are needed to run each unit. Its product, furthermore, is better than the nonferrous forms cast by the age-old conventional method.

But continuous steel casting has not been generally considered, because: Steel (1) is cheaper than nonferrous metals, (2) has to be cast at higher temperatures, and (3) has sensitive characteristics.

• **Improvements**—However, about six years ago Republic began to take continuous steel casting seriously. In 1946 the company made an agreement with Babcock & Wilcox whereby experimental work finally went to B. & W.'s Beaver Falls plant.

The Beaver Falls unit casts two or three times a week, handling both carbon and alloy steels. A mold producing billets with a cross-section of about 27 sq. in. has been used. Billets can be produced at rate of 12 tons an hour, although the companies expect to speed this up.

Future experiments will discover whether there are limits on the size of steel shapes that can be cast. Republic and Babcock & Wilson are now building a mold for a cross-section in the neighborhood of 45 sq. in.

• **High Quality**—The tests indicate that ovals of special proportions are most practical for continuous casting. These ovals can easily be shaped by a rolling mill into rounds or flats.

The companies say that the steel produced so far is of excellent quality, since this method has certain advantages over the conventional process. Surface of the finished product is said, in general, to be freer of imperfections than ingots; its interior is said to be freer from slag.

• **Licenses**—More development will be necessary before full-scale continuous casting units can be set up. For example, controls will have to be designed that will operate full-scale units to best advantage. And the experimental work now going ahead will be completed before licenses under the patents for the process are doled out.

Farewell Pharis

Tire company shuts down main plant in Newark, Ohio. Competition, high costs, labor trouble get it into red.

The city of Newark, Ohio (pop.: 40,000) last week heard some bad news. Its second biggest industry, the Pharis Tire & Rubber Co., was going to put its main plant out of business. Said its president, Furber Marshall: The local plant is all but bankrupt. It will sell its raw materials, accept tentative bids on the plant and equipment. All that remains is for the stockholders to approve—and there is little else that they can do.

• **Three Causes**—Three things caused the collapse of Pharis' Newark operation, which was started more than 30 years ago: (1) rising production costs, (2) stiffer competition, (3) a deadlocked wage fight.

The wage dispute was the final blow. It came last spring when the company told the United Rubber Workers (C.I.O.) that it couldn't continue to pay the old wage rates and stay in business. The workers knew that Pharis was having rough sledding; last winter it had cut back its payroll from 1,200 to 900. Marshall proposed that incentive rates be cut and the work week lengthened from 30 to 40 hours. (The company

had gone back to a five-day week, six-hour day last winter.)

• **Turndown**—The union flatly turned down the deal—on the ground that it would amount to the same thing as a pay cut. Pharis replied that its average wage rate (\$1.74 an hour) was the industry's highest before the third-round pay raise went into effect.

The upshot of this deadlock was not unique: On May 1, the 900 Pharis employees walked out, and the plant was shut down for "an indefinite time."

• **The End**—After three and a half months of idleness, Marshall decided to give up. The shutdown, he said last week, had continued for too long a period. Thus, the company was no longer in a position to negotiate a bank loan even if the union went along with the proposal.

So Marshall notified his customers that the firm would fill no more orders except those now in transit or in stock. Tire manufacture which Pharis had farmed out to another factory during the shutdown would be discontinued.

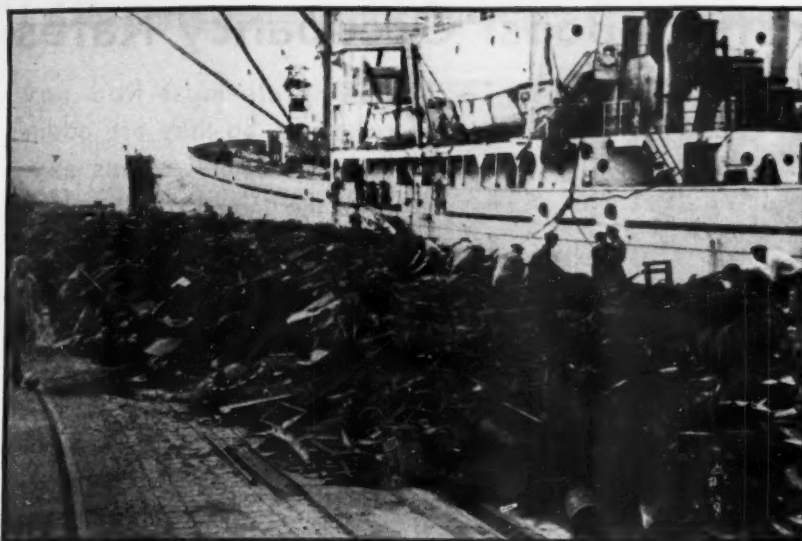
• **Subsidiaries Continue**—But the company still isn't dead. Pharis has shifted its bicycle-tire production to its wholly-owned subsidiary, Carlisle Tire & Rubber Co., at Carlisle, Pa. This plant also makes auto and bike tubes, has not been affected by the wage dispute. Neither has another Pharis division, Molded Materials Co., of Ridgway, Pa. It makes brake linings, has been experimenting in plastics.



Beer in the Sky in Pennsylvania

With 62 breweries competing for beer sales in Pennsylvania, competition is stiff. And competitors resort to ingenious advertising methods. Barbey's, Inc., in Reading has found a new way to get its product high in the public eye. To help Reading celebrate

its bicentennial fete, which started last week, Barbey's blew up this 30-ft.-long balloon replica of their Sunshine beer bottle. It now flies 75 ft. over the city fair grounds. The flying bottle holds 1,200 cu. ft. of helium gas. It's made of neoprene-coated nylon.



German Scrap Heads for American Mills

German scrap iron is on the way to help feed steel mills in the U. S. The Commerce Dept. has closed a deal for 440,000 long tons of German scrap to be sent to the U. S. during 1948 (BW—Aug. 21 '48, p. 107). About 200,000 tons have been loaded to sail from Bremerhaven. The German scrap rates as No. 1 heavy melting

grade. The price is \$26 a ton at the Bremerhaven dock. Shipping costs run from \$9 to \$12 a ton, bring total price to \$35-\$38 at eastern U. S. ports. The average U. S. price for this grade scrap last week was \$43.16. U. S. buyers purchase German scrap from JEIA (Joint Export-Import Agency for the U. S. and British zones).

Expansion Plans Ease Up

Rising costs, materials shortages halt Stanolind's plant to make synthetic petroleum products from natural gas. And du Pont is returning to "normal" construction, with end of its expansion in sight.

Is the capital expansion boom over the hill—or at least on a plateau? Securities & Exchange Commission figures of a month ago seemed to show that (BW—Jul. 17 '48, p. 22).

Last week brought two concrete examples to drive home the SEC's statistics:

STANOLIND OIL & GAS CO. shelved plans for a multi-million dollar plant to make synthetic petroleum products from natural gas (BW—Jan. 24 '48, p. 21).

E. I. DU PONT DE NEMOURS said its plant expansion program is now moving to a "back-to-normal" basis. The big postwar rush is over.

Stanolind had two reasons for calling off, for the time being, its giant project:

(1) Rising costs. Capital investment required for the project has doubled since the active program got under way two years ago—and might go even higher.

(2) Delay in getting materials.

Du Pont, meantime, pointed out that

from V-J Day to the end of this year, it will have spent about \$350-million for expansion and construction. A lot of this was to make up for the interruption of World War II. New plants and additions have been built for production of: nylon, rayon, plastics, pigments, sulphuric acid, agricultural fungicides, and other chemical products.

• **Back to Normal**—With 1949, Du Pont construction will be on a more normal basis. One of the big projects that still remains on the books is the \$30-million expansion of research facilities at the Experimental Station at Wilmington, now in its preliminary stage (BW—May 15 '48, p. 97). But, meantime, du Pont has taken a hitch in the personnel of its engineering staff—though the engineering division for new plants has by no means been shut down.

• **Temporary Halt**—Nor has Stanolind completely given up its construction program. The order to halt work on the synthetic oil plant at Garden City, Kan., came before actual building had begun. Grading and other preliminary work had

been completed. But Stanolind will hold on to the site, take another look at costs three years from now. By then, research improvements may have lowered costs of equipment.

The company has never said how much it thought the plant would cost. Outside estimates at the end of 1947 ran as high as \$80-million.

Stanolind, a subsidiary of Standard Oil Co. (Ind.), was planning to make gasoline and other oil products from natural gas—at prices competitive with those for similar products made from crude oil. Capital investment for a synthetic oil plant of this type would be about twice that for a comparable crude oil refinery right now. So rising construction costs hit this project harder than they would an oil refinery.

• **Projects Under Way**—Stanolind is going on with its other scheduled construction: a natural gasoline plant at Ulysses, Kan., and a plant at Brownsville, Tex., to process chemicals from the Carthage Hydrocol, Inc., plant now building there. The Carthage plant, the only other oil-from-natural-gas project under construction, hasn't given up. One possible reason: Its estimated cost is much less than the Stanolind project.

• **New Pricing No Barrier**—Stanolind executives said this week that the advent of f.o.b. pricing for steel and cement was not an important factor in their decision to give up the Garden City plant. True, costs of steel and cement delivered at a location like Garden City could be appreciably higher than under the basing-point system. But what really costs money in a plant like Stanolind's are fittings, gages, valves, and the like. On these freight makes up only a small portion of delivered price.

TANKERS ON THE WAY

Orders valued at \$110-million for 18 more supertankers received this week by Bethlehem Steel Co. will keep its Sparrows Point (Md.) yards humming through 1950. Increased volume will make it necessary for Bethlehem to step up employment from 3,000 to 4,000.

Most of the new tankers will be bought by domestic oil companies; others will be chartered by them. Fourteen of them will be 28,000 deadweight tons (carrying capacity). High-speed tankers built as Navy auxiliaries during the war were 10,000 tons smaller. Four of the new tankers will be 16,500 tons.

With these new contracts in hand, Bethlehem will have 530,000 tons of tankers under way. The first of four 18,000-ton tankers contracted for back in February (BW—Mar. 6 '48, p. 50) was launched this week. And Bethlehem has just completed postwar construction of eight ore carriers. The largest of the ore ships was 26,000 tons.

Hotels Woo Tourists to Boost Occupancy Rates



HOTELS ARE ADDING NEW RAZZLE-DAZZLE . . .

This chic "Service Aide" ushers a motoring family into Manhattan's Hotel Pennsylvania (Statler). She will take care of bags and car, get the family registered, advise on sightseeing, supply baby sitters if needed—even direct family elsewhere if hotel is full



. . . TO LURE TOURISTS AWAY FROM MOTELS AND . . .

Koronado Kourts, near Joplin, Mo., shows why hotels feel competition from plush motor courts. Tourists simply roll up to door of neat cabin with tiled roof, modern conveniences, private garage. Some fashionable Florida tourist courts charge as high as \$200 a week

Hotels must find new customers. So they are adding services to lure tourists away from the motor courts.

The hotel business is panning out just about the way the pessimists said it would. The velvet which came with the war has rubbed off (BW—Jul. 5 '47, p48). Now the hotels are scrabbling for business again.

So they are sluffing off their wartime ways. They need new customers (chart), and they are spending a considerable chunk of their postwar modernization funds to get them. In particular, they want to take some of the tourist business away from the roadside motor courts, which are growing in number and luxury. The tourist trade can go far to take up the slack over week ends, when the commercial travelers head for home.

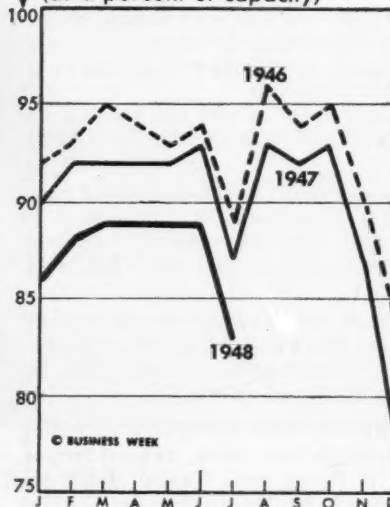
Hotels Statler Co., Inc., for example, has staffed all its hotels with "Service Aides" (left) to serve tourists. Other hotels offer automatic parking, special elevators and registration desks for tourists, parking lots, and even air-conditioned auto lobbies.

Partly as a result of such devices, hotels this year—according to the American Hotel Assn.—are doing their best tourist business since 1940.

Hotels are also spending large sums on room air-conditioning, as well as on entertainment and restaurant facilities.

Hotel Occupancy

√ (as a percent of capacity)



. . . TO FILL EMPTY ROOMS

Here's why hotel men are seeking ways to build new business: Since the peak year of 1946, occupancy has been slipping steadily

U. S. Exports and Imports by Major Classifications

	Exports		Imports	
	First Half 1948 (Millions)	% Loss From First Half, 1947	First Half 1948 (Millions)	% Gain From First Half, 1947
Crude materials	\$657	23%	\$1,064	17%
Crude foodstuffs	561	14	633	23
Manufactured foodstuffs	723	21	341	7
Semimanufactures	738	15	781	32
Finished manufactures	3,816	16	467	32

Foreign Trade Pattern Shifts

U. S. exports show large declines, imports sharp gains, reflecting world recovery and dollar shortage. But some commodities within major classes of exports and imports buck the trend.

The table above shows clearly the impact of changing world conditions on the United States' foreign trade:

RECOVERY ABROAD—On the farms, in the mines, and in industry—is cutting the demand for America's goods. At the same time, it's making more goods available for the U. S. to import.

THE DOLLAR SHORTAGE is curbing foreign buying of U. S. commodities. Other nations are tending to channel the dollars they have into purchases of U. S. machines, metal products, and industrial raw materials that they can't get anywhere else.

• **Six-Month Picture**—Last week the Commerce Dept. released its figures breaking down June exports and imports. Rounding out the six-month picture, they give an insight into what these influences have meant.

In the first half year, the U. S. exported \$6.7-billion of merchandise (including relief and ECA shipments); this was 17% below the same period a year ago. Prices were rising throughout the period, so the actual drop—in terms of physical volume—was greater than that, perhaps more than 20%.

At \$3.5-billion, imports during the six months were 22% higher than a year ago. Even allowing for higher prices, the first-half gain was substantial.

• **Full-Year Forecast**—In June, exports were down for the third month in a row. But ECA deliveries for the rest of the year are expected to check the decline. For the full year, exports should be no more than 10% below 1947's record-breaking total of \$15.3-billion.

Imports are another matter. Except for April, they've been climbing month by month and, in June, were not far from the high of last March (\$666-million). It's a good bet they'll wind up at \$7-billion or better in 1948, some 23% ahead of last year.

• **Export Analysis**—On the export side for the first half of 1948, all major

classes of goods ran under the like period a year ago. What happened to a few commodities within these classes serves to highlight the six months' story.

In unmanufactured tobacco, exports slumped 45% in value, 37% in terms of quantity (to 160-million lb.). This reflects the loss of our best market, the United Kingdom. It was forced to embargo U. S. tobacco late last year because of vanishing gold and dollar reserves—and is cutting still more now.

Exports of raw cotton, coal, rubber products, and cotton manufactures were off between 30% and 40%. Foreign countries have now reached the point where they have either built up their own supplies of these commodities or can buy them in nondollar areas.

Some commodities countered the general downtrend. At \$593-million, first-half exports of industrial machinery (other than metalworking) topped by 5.4% the six months' figure of a year ago. Agricultural equipment jumped 29% to \$195-million. Because of hard necessity, foreign countries are willing to forego other purchases in favor of these.

The same goes for crude petroleum. Exports of 19.1-million bbl. weren't much smaller than a year ago, even though they cost the foreign buyer nearly 30% more.

• **Steel Situation**—Steel-mill products represent a special case. Despite the fact that the world is still hungry for steel—and would scrape up the dollars to feed its appetite—exports dropped 25% to some 2.4-million tons.

The reason is simple. American industry is also hungry for steel. So, early this year, Congress put the heat on the Commerce Dept. to adopt a more restrictive export policy. Result: Almost all the tonnage shipped this year was under export control, as against only half in the first six months of 1947.

• **Import Analysis**—The first half of 1948 brought plus signs for all major

classes of imports. The forces at work here were steady economic recovery abroad, our lowered tariff barriers, and continued high wages. If you trace the six months' course of a selected list of imports, you get a good look at what those forces have done.

At the same time that our exports of cotton cloth were tumbling, we imported 19-million square yards, almost three times as much as in the first half a year ago.

In terms of value, we imported 40% more uncut diamonds, 45% more raw wool, 55% more undressed furs.

Petroleum poured in, too. Imports of 56.8-million bbl. cost \$125-million, more than 60% ahead of the same period a year ago.

Cane sugar was an exception to the higher level of imports in the first six months; 26% less came in from abroad. This was due to re-imposition of quotas for offshore supply, plus a record beet-sugar crop at home. Crude rubber was another commodity on the down side; imports declined 9% in tonnage, 27% in value. Reason: In addition to lower prices, we weren't receiving Malaysian-produced rubber from the U. K. stockpile, as we were a year ago.

• **Silk Situation**—Raw silk may at last be on the rise in the U. S. market. June imports of 816,000 lb. doubled in May, bringing the first-half total to 2.3-million lb., 60% ahead of the like period of 1947.

A year ago at this time, imports of raw silk had plunged from 715,000 lb. monthly to a mere 2,000 lb. It was a case of too much competition from nylon and rayon.

Early this year, Gen. MacArthur slashed prices on Japanese silk. Monthly imports responded by rising sharply. But they've got to expand half again as much before Japan gets the same take in dollars. In terms of value, our silk imports during the first six months added up to \$4-million as against almost \$10-million a year ago.

WHO GETS U. S. TRADE

	(Millions of Dollars)	
	First Half, 1948	% Change From First Half, 1947
U. S. Exports to:		
Canada	\$918	-12%
Europe (incl. U. K.)	2,308	-21
ECA countries	2,200	-20
Eastern Europe	110	-60
Latin America	1,700	-13
Asia	1,075	-10
Africa	405	-2
Australia & Oceania	75	-45
U. S. Imports from:		
Canada	\$683	+33%
Europe (incl. U. K.)	520	+37
ECA countries	450	+35
Eastern Europe	77	+18
Latin America	1,230	+13
Asia	665	+16
Africa	210	+14
Australia & Oceania	82	-19

FCC Limits Radio Chains

It "proposes" rules that set definite boundaries for AM, FM, and television station ownership, including minority interests. But commission gets a setback in its war on give-away shows.

How many radio stations can you own outright, or control?

The Federal Communications Commission has had definite rules for television (five stations) and FM (six). But it has never had anything in writing on conventional radio. Nor has it laid down regulations on the number of stations of any type in which one company could own minority interests.

• **Proposals**—Last week, on the urging of some broadcasters, it wrote the whole thing down in a set of "proposed" rules. They pick up the old full-ownership limits from previous TV and FM regulations, but broaden them out by adding a sliding scale of permitted minority-interest ownerships. They apply a similar sliding scale to standard stations, too. These minority-interest rules give radio people quite a bit of flexibility in setting up new television chains; this much, at least, they like.

Here are the commission's formulas:

Television. One company or group may own or control no more than five stations. If the company or group doesn't own or control five outlets, it may hold some minority interests in stations: It may hold "one or two" minority interests if it controls only four TV stations, and up to "nine or ten" if no TV stations are owned or controlled.

Frequency Modulation (FM). The formula is similar to TV, except that six stations may be owned or controlled.

Conventional Radio (AM). One company or group may own or control no more than seven stations. If it controls fewer stations, it may hold minority interests on an ascending scale, up to "13 or 14" if no stations are controlled.

Though the rules are only "proposed," they give notice of how the powerful FCC's thoughts are running.

• **Present Practice**—Previous FCC unwritten policy let one broadcasting company or group own seven standard stations, plus some minority interests.

The new rules would knock off this "plus" if the company owned a full seven stations. Columbia Broadcasting System, operating under the "seven-plus" precedent, recently sold a 55% interest in its WTOP (Washington, D. C.) to the Washington Post—figuring that it could then go ahead and buy 100% of KQW (San Francisco), in which it now holds a 45% interest. FCC's proposed rules would bar this.

The other big national networks—National Broadcasting Co. and Ameri-

can Broadcasting Co.—are O.K. under the new rules. But that doesn't mean that Columbia is the only company affected. Several regional chains, and some individual operators, have minority interests scattered all over the lot.

• **Paramount Situation**—The new rules would hit plans of Paramount Pictures, Inc.—even if FCC decides that the movie company does not actually control DuMont Laboratories, Inc., in which it has a 30% interest. This question has been hanging fire for two years.

Paramount has two television stations—WBKB (Chicago) and KTLA (Los Angeles). It has applied for TV stations in Detroit, Boston, and Miami.

DuMont operates two TV outlets—WTTG (Washington, D. C.) and WABD (New York). It has applied for TV stations in Cincinnati and Cleveland, already has a permit to build one in Pittsburgh.

The present and planned stations total five for Paramount and five for DuMont. Under the old rules, this would be O.K.—provided FCC decides that Paramount does not control DuMont. But under the new rules, the DuMont stations, even as minority in-

terests for Paramount, would be above the allowable limit, so long as Paramount owns five stations directly.

• **Publisher's Case**—Meredith Publishing Co. of Des Moines (Better Homes & Gardens) has launched a television project that may run beyond FCC's proposed limits. Meredith plans to operate TV outlets in a number of markets, and has already applied for several TV licenses.

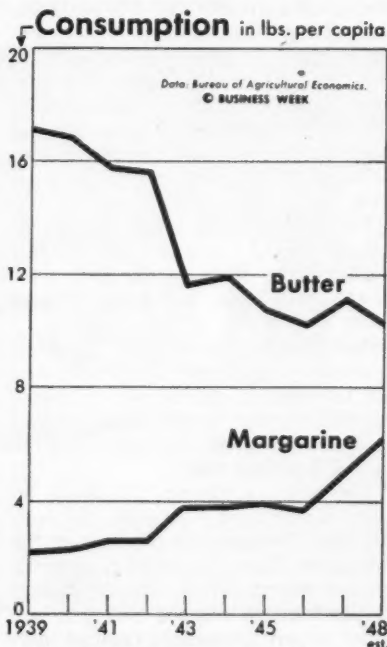
• **Break for Give-Aways**—But there was good news this week on the FCC front for one group of broadcasters—sponsors of radio give-away programs. They have discovered something that FCC overlooked when it decided to crack down on radio contests: Congress has yanked the antilobby laws from under the commission.

FCC attorneys thought they could stop big-prize quiz shows via Section 316—the antilobby proviso—of the Communications Act of 1934 (BW—Aug. 21 '48, p. 22).

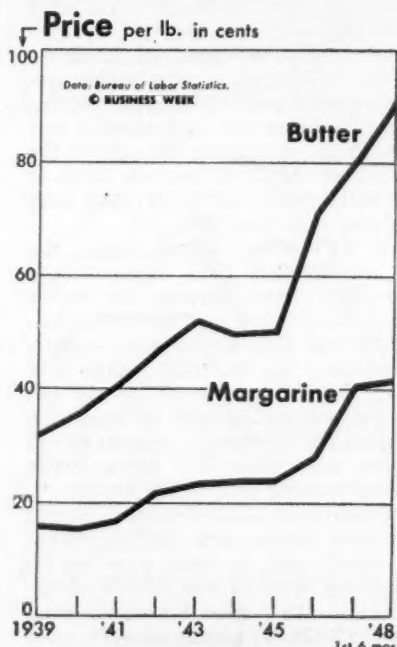
But last June, Congress quietly passed the Federal Recodification Act. This statute reshuffled the mass of criminal laws administered by federal agencies. In the process, Section 316 disappeared from the Communications Act.

It turned up in the Recodification Act, but with this change: Antilobby policing powers of FCC and other bureaus were lumped together and handed over to the Dept. of Justice for enforcement.

• **Question**—Where does this leave the drive on give-aways? Even FCC Chair-



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Margarine Gains...**



**... As Spread Between
Prices Widens**



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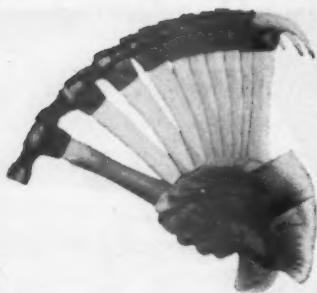
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man Wayne Coy would not hazard a guess early this week. The abashed commission is still "considering" this development, he said.

A House committee investigating FCC entered the picture. It asked Coy on what authority the commission is proceeding against contest programs. The fact is that FCC is not proceeding. It doesn't have time to do much, if anything, before Sept. 1, when the Recodification law becomes effective. After that date, it will be up to Justice—not FCC—to interpret the federal antitrust laws.

Furnace Fireworks

WAA's deal with K.-F. to take over Republic Steel's blast furnace No. 5 brings red-hot reaction on all sides.

Plancor 257 was making lively industrial news and pig iron in full blast this week. Most businessmen know Plancor 257 (its official designation) by another name: Republic Steel's No. 5 blast furnace.

It is the blast furnace (with 450,000-ton annual capacity) built by Republic for the government during the war and operated since by that company. Republic had been dickering with War Assets Administration to keep the plant. But it had finally said it would not operate the furnace after the lease runs out—on Sept. 1.

Last week, WAA made an agreement with Kaiser-Frazer Corp. for continued operation after that date.

• **Repercussions**—Then the fireworks began. Republic shot a wire to WAA demanding a full disclosure of the transaction; it warned that loss of the furnace would mean a shutoff of deliveries to its pig iron customers in the North. (Republic used No. 5 to make basic pig for steel, freeing two other furnaces to make merchant pig; its southern customers get pig from Birmingham.)

Tucker Corp., the only other company previously bidding for the furnace against Republic, also squawked. President Preston Tucker said he could not believe "our government could be a party to a deal like this."

• **Voluntary Offer**—A day later WAA made public the correspondence between Administrator Jess Larson and K.-F. The exchange disclosed: (1) WAA voluntarily offered the plant on a lease with option to buy; (2) K.-F. promptly accepted.

Soon the spokesmen for Republic's customers got into the fight. The Gray Iron Founders' Society, Inc., claimed that the deal may idle more than a million workers in 19 states. The

Pressed Metals Institute bulletined its members about "A Pig Iron Fiasco."

Accusations and denials led inevitably this week to a congressional hearing, where a bigger sounding platform could be provided.

• **Republic's Offer**—Obviously, Republic does not want to lose the furnace; for one thing, the plant is partially scrambled with other of its facilities. Republic's president, C. M. White, has made it clear that he is willing to continue leasing the property at a rate which he says is higher than K.-F. agreed to pay. And Henry Kaiser is not covering up the fact that he wants the furnace, too—on the terms he agreed to.

• **Unhappy Bystanders**—About 400 iron foundries are the innocent bystanders in the dispute. And, as such, they are more likely than Republic or K.-F. to be hurt in the current row. For, if the K.-F. lease stands, Republic will stop selling them pig iron. It will have to use the output of its other blast furnaces to feed its steel plants. And K.-F. may not be willing or able to take them on as customers. Their names stand a good chance of making the casualty lists of the Battle of Plancor 257.



Heads C. E. D. Research

Philip D. Reed is the new chairman of the Research & Policy Committee of the Committee for Economic Development. He succeeds Raymond Rubicam (BW—Nov. 15 '47, p. 6), whose term has expired. Reed, 48, has been chairman of the board of General Electric Co. since 1940, with time out for wartime government service in Washington and London. This week he announced a new program of C.E.D. studies on inflation, taxes, world trade, and problems of a "defense economy."



1. T-Square Tom, the architect, was on a short vacation; he wanted peace and quiet, and some friendly relaxation. "I'm tired out and without doubt it's here I'll find a rest; at Statler's Hotel William Penn, I really am a guest!"



2. He got a spacious Statler room with sunlight streaming in, with comfy chair and radio . . . his frown was soon a grin. At last he said: "I'll try the bed, my joints are all a-jangle. Eight hundred built-in springs and more will ease each aching angle."



3. All rested from a good night's sleep, Tom had his morning scrub. "Oh, wondrous is the water hot that fills my Statler tub. What's more," he cried, "I'm well supplied with soap and snowy towels; my blues are gone, I'm feeling great, excuse my happy howls!"



4. At breakfast T-Square Thomas polished off enough for two. The Statler food was so darn good he hated to get through. "With meals ahead like this," he said, "I surely won't get thinner, so I'll go now—but I'll be back for luncheon and for dinner!"



5. "The William Penn's the place to stay," grinned Tom, "and one thing more—the business district, shops, and shows are close to its front door. I've got to fly, but I will cry to everyone I see—in Pittsburgh, Hotel William Penn will suit you to a 'T'!"



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Sen. Homer Capehart (left) has asked Harvard's Dr. Melvin T. Copeland to help him get...

Basing-Point Study Set

Businessmen eye roster of committee members and advisory councilors for clew to outcome. Right now it looks as if law reinstating uniform delivered prices might be recommended.

The investigating committee of Sen. Homer Capehart has seized the basing-point spotlight from the Federal Trade Commission and the Supreme Court. And the senator's plans show that he's going to try to hold it until next March. That's when his committee reports to Congress.

• **FTC Strikes Again**—But while the senator's committee prepares for action, FTC hasn't retired to a corner to sweat out a verdict. Instead, FTC last week handed down a cease-and-desist order against the Crown Manufacturers Assn., and 12 makers of the crimped metal caps. Part of the charge: The companies used a freight-equalization plan to arrive at identical delivered prices.

Businessmen across the country, however, are more interested in tell tale signs to show them which way Sen. Capehart's staff might lean. For the committee is just about the last hope to beat the Supreme Court decision against basing points, via legislation.

• **Leanings**—The signs from the committee's office in the Senate Office Building so far seem to favor the steel and cement producers' side of the controversy.

For example, the general counsel for the committee—frequently the key man—is William Simon, member of the Chicago law firm of Miller, Gorham, Wescott & Adams. This firm represented the Salt Producers Assn. five years ago when it lost a price-fixing case in-

volving uniform delivered prices on salt.

Another sign is the advisory council. This is a 40-man group which the Capehart committee named to make its own recommendations as to what should be done. Its chairman: Dr. Melvin T. Copeland of the Harvard School of Business Administration.

• **Seven Losers**—At least seven members of this council are executives of companies that have lost out to FTC in cases in which uniform delivered prices figured heavily. They are producers of cement, glucose, refractories, and wire rope. And H. W. Prentiss, Jr., a member of the advisory council, found his company—Armstrong Cork—one of the 12 crown cap producers ordered by FTC just last week to stop use of a freight-equalization plan.

Besides these, the advisory council includes other manufacturers; users of steel and cement; college professors and economists; building trades, steel, and cement union officials; a banker and a department store executive; farm leaders; local chamber of commerce officials; and a railroad man.

• **Letter**—Another hopeful sign for the anti-basing-point side is a letter Sen. Capehart sent to members of Congress. In it he defines the issue thus:

"Whether sellers should be permitted to (1) sell their products throughout the U. S. at a uniform delivered price, or (2) absorb freight or any part thereof in sales to customers in order to compete

with [those] whose plants are located closer to the customer."

Capehart seems firmly convinced that:

(1) FTC has banned all freight absorption—even when used to meet competition.

(2) That the law makes no distinction between heavy industries (in which freight is a real factor) and light industries (where it isn't). Thus, there is no legal fence to keep the FTC from going after chewing gum or department stores one fine day. In both fields, uniform prices to the consumer are the custom.

• **Schedule**—The advisory council will hold an open meeting on the morning of Sept. 15. There it will learn the procedures which Copeland hopes the group will follow.

The council members will hold a closed meeting in the afternoon to "get their assignment." They'll meet again in October or November, compare notes on recommendations, and instruct a task group which will draft a report. They will meet once more before the first of the year to approve a report which will be turned over to the Capehart group.

• **Suspicion**—The Capehart committee itself won't start hearings until mid-November. And there's talk in some Washington quarters (FTC, for instance) that Capehart—by working closely with the members of his advisory council—will have the hearings and witnesses so well organized that the opposition may hardly get more than a foot in the door.

FTC officials aren't saying much about their strategy. But they are relying on sympathetic senators—like Joseph C. O'Mahoney—to keep the record from being completely jammed with anti-FTC views. They want a spokesman for FTC to find his way to the committee bench. Otherwise, they know that the FTC and Supreme Court interpretations of the antitrust laws will appear only during the brief time early in the hearings when the FTC officials are allowed to speak their piece.

• **In Command**—There's little doubt that Capehart is in command. Already he and his fellow committee-members have brushed off Part II of the Senate resolution which called for this investigation. That is the part that directs an investigation into the growth of monopoly and concentration of industry.

Just when the basing-point inquiry will be completed no one can say. The Capehart committee's March report may be an "interim report" which—stressing the real complexity of the problem with which it's grappling—may ask for more money to finish the job. For Capehart may find that he can't solve the puzzle in so short a time.



HERE'S THE LOW-COST WAY TO END OFFICE NOISE

These men are installing a new ceiling of Armstrong's Cushiontone® that will eliminate distracting office noise—at surprisingly low cost. Low cost is one of Cushiontone's big advantages—but there are many others.

Cushiontone is both efficient and practical. Sound is absorbed by 484 deep holes in each square foot. Repainting does not clog these holes. Their sound absorbing efficiency remains high always. And Cushiontone goes up quickly over new or old ceilings alike.

There are other Cushiontone advantages—high

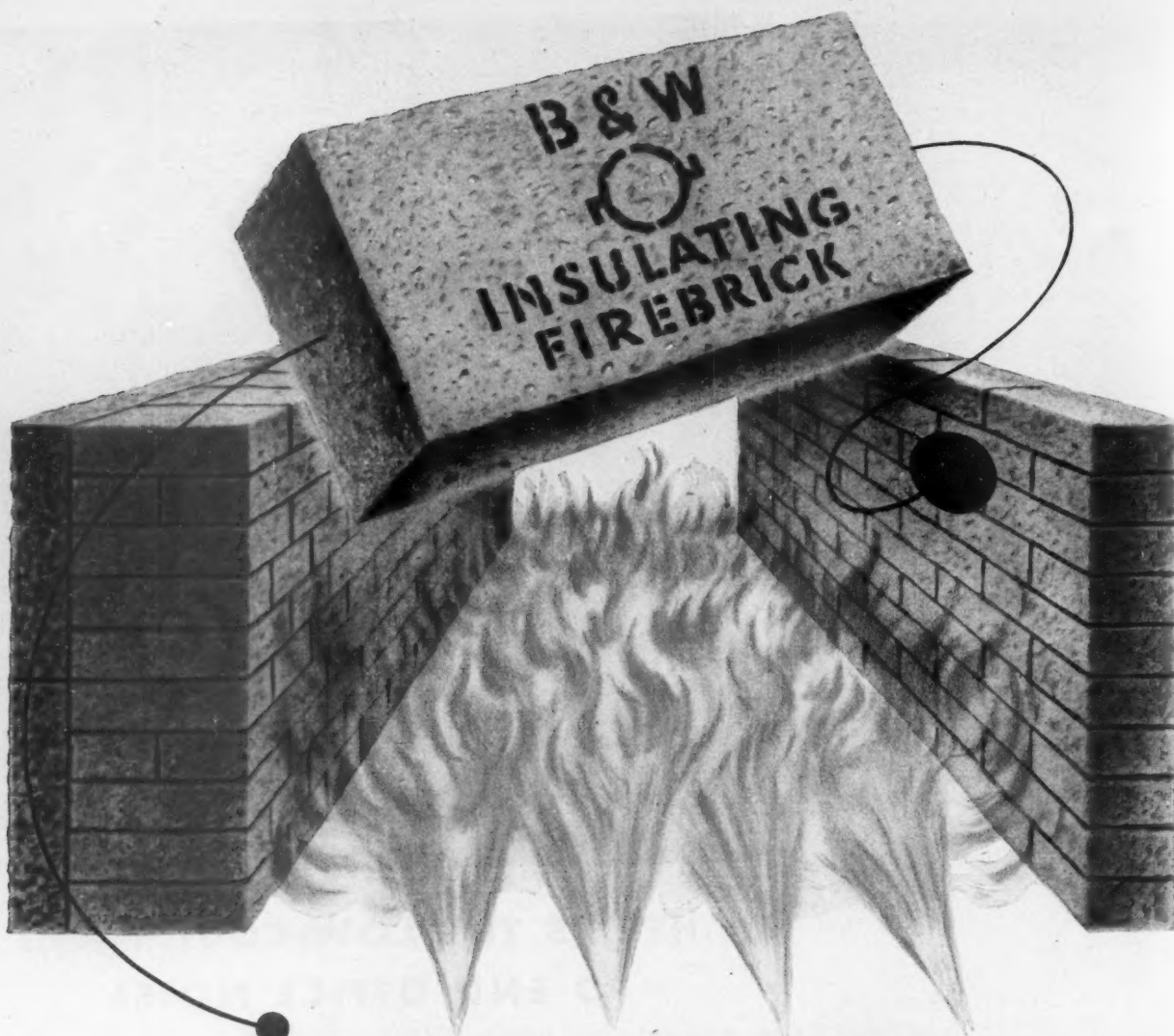
light reflection, good insulation, attractive appearance. If you have a noise problem, ask your Armstrong contractor about Cushiontone—or other Armstrong acoustical material.

WRITE FOR FREE BOOKLET, "What to do about Office Noise." It gives all the facts. Armstrong Cork Company, Acoustical Department, 4808 Walnut Street, Lancaster, Penna.

ARMSTRONG'S CUSHIONTONE



Made by the Makers of Armstrong's Linoleum and Asphalt Tile



SUCCESSOR TO A PARTNERSHIP

Long-standing obstacle to the most efficient operation of industrial furnaces was the fact that good insulating materials could not withstand direct exposure to blistering furnace heat. Furnace walls were usually a partnership—heavy firebrick to resist combustion gases, and a lighter insulating outside covering to keep heat in. The resulting massive walls often absorbed and wasted more heat than was re-

quired for the furnace process itself.

Then B&W produced a *double-duty* firebrick—one that combines high insulating properties with resistance to intense heat. Called *Insulating Firebrick*, it keeps high-temperature furnace heat in with a single thin wall, weighing only one-fifth as much. It radically reduces fuel consumption—in some cases by as much as 80 percent. Product quality is im-

proved, production time speeded up. Total net result: Substantial reduction in the manufacturing cost of many different products.

This type of pioneering is characteristic of B&W... has been for more than 70 years. For B&W thinking links new ideas to many industries, offers *all* industry its broad experience in solving today's problems... in formulating tomorrow's plans.

THE BABCOCK & WILCOX CO.

General Offices: 85 Liberty St., New York 6, N. Y. • Works: Alliance and Barberton, O., Augusta, Ga.

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BABCOCK & WILCOX

Water-Tube Boilers, for Stationary Power Plants, for Marine Service... Water Cooled Furnaces... Superheaters... Economizers... Air Heaters... Pulverized-Coal Equipment... Chain-Grate Stokers... Oil, Gas, and Multifuel Burners... Seamless and Welded Tubes and Pipe... Refractories... Process Equipment

N-53

Dictionary of Federal Alphabetical Agencies

FDR, NRA, OPA, and WPB are gone, but the days of "alphabet soup" in government linger on. Businessmen visiting the capital still have to grapple with a confusing number of alphabetical designations that Washingtonians toss around casually.

If FAO, JEIA, and NSRB don't register, you are likely to find yourself at a disadvantage—at least linguistically—in

negotiating defense contracts or in expediting ECA orders. It's an ever-changing picture, too. Yesterday's CEEC becomes today's OEEC (see ERP). Agencies come and go, but it looks as if people who come to Washington to do business will always have a pretty full bowl of alphabet soup served up to them.

Here's a handy guide to major current agencies:

Emergency Agencies

ODT—Office of Defense Transportation.
OHE—Office of the Housing Expediter.
PAPA—Philippine Alien Property Administration.
PWDC—Philippine War Damage Commission.
WAA—War Assets Administration.

Executive Agencies

CEA—Council of Economic Advisers.
ACC—Air Coordinating Committee.

National Military Establishment

CIA—Central Intelligence Agency.
JCS—Joint Chiefs of Staff.
NSRB—National Security Resources Board.
RDB—Research & Development Board.
NSC—National Security Council.
NEPA—Nuclear Energy for Propulsion of Aircraft.
NEPS—Nuclear Energy for Propulsion of Ships.
NOL—Naval Ordnance Laboratory.
NRL—Naval Research Laboratory.
ONR—Office of Naval Research.
JANMAT—Joint Army Navy Machine Tool Committee.
MATS—Military Air Transport Service (successor to NATS and ATC).

U. S. Dept. of Agriculture (USDA)

ARA—Agricultural Research Administration.
BAE—Bureau of Agricultural Economics.
FAO—Food & Agricultural Organization (part of United Nations).
FCA—Farm Credit Administration.
FCIC—Federal Crop Insurance Corp.
OFAR—Office of Foreign Agricultural Relations.
PMA—Production & Marketing Administration.
REA—Rural Electrification Administration.
RMA—Research & Marketing Act.
SCS—Soil Conservation Service.
USFS—U. S. Forest Service.

U. S. Dept. of Commerce (USDC)

CAA—Civil Aeronautics Administration.

CGS—Coast & Geodetic Survey.
NBS—National Bureau of Standards.
OIC—Office of Industry Cooperation.
OIT—Office of International Trade.
OTS—Office of Technical Services.

U. S. Dept. of Justice (USDJ)

FBI—Federal Bureau of Investigation.
OAP—Office of Alien Property.

U. S. Dept. of Interior (USDI)

ARC—Alaska Road Commission.
BPA—Bonneville Power Administration.
ICC—Indian Claims Commission (not to be confused, if possible, with Interstate Commerce Commission).
BIA—Bureau of Indian Affairs.
FWS—Fish & Wildlife Service.
NPS—National Park Service.
USGS—U. S. Geological Survey.
USBR—U. S. Bureau of Reclamation.

Dept. of Labor

BLS—Bureau of Labor Statistics.
ATS—Apprentice Training Service.

European Recovery Program (ERP)

(ERP designates a plan, not an agency.)
ECA—Economic Cooperation Administration.
CEEC—Committee of European Economic Cooperation.
OEEC—Organization for European Economic Cooperation (successor to CEEC).

International Agencies

FEC—Far Eastern Commission.
IMF—International Monetary Fund.
JEIA—Joint Export-Import Agency (U. S. and U. K.).
OMGUS—Office for Military Government (U. S.).
SANACC—State-Army-Navy-Air Force Coordinating Committee (successor to SWNCC—State-War-Navy Coordinating Committee).
SCAP—Supreme Commander for the Allied Powers.

Independent Agencies

AEC—Atomic Energy Commission.
CAB—Civil Aeronautics Board.
EIB—Export-Import Bank.

FCC—Federal Communications Commission.
FDIC—Federal Deposit Insurance Corp.
FMCS—Federal Mediation & Conciliation Service.
FPC—Federal Power Commission.
FRB—Federal Reserve Board.
FSA—Federal Security Agency.
BES—Bureau of Employment Security.
FDA—Food & Drug Administration.
SSA—Social Security Administration.
USES—U. S. Employment Service.
USPHS—U. S. Public Health Service.
NIH—National Institute of Health.
FTC—Federal Trade Commission.
FWA—Federal Works Agency.
PBA—Public Buildings Administration.
PRA—Public Roads Administration.
HHFA—Housing & Home Finance Agency.
FHA—Federal Housing Administration.
HOLC—Home Owners Loan Corp.
PHA—Public Housing Administration.
ICC—Interstate Commerce Commission.
NACA—National Advisory Committee for Aeronautics.
NLRB—National Labor Relations Board.
RFC—Reconstruction Finance Corp.
SEC—Securities & Exchange Commission.
TVA—Tennessee Valley Authority.
USCSC—U. S. Civil Service Commission.
USMC—U. S. Maritime Commission.
USTC—U. S. Tariff Commission; also U. S. Tax Court.
VA—Veterans' Administration.

Miscellaneous

CSAB—Combined Shipping Adjustment Board (U. S. and U. K.).
GAO—General Accounting Office.
GPO—Government Printing Office.
IBC—International Boundary Commission (U. S. and Canada).
IJC—International Joint Commission (U. S. and Canada).
IBWC—International Boundary & Water Commission (U. S. and Mexico).
IWC—Inland Waterways Corp.
WCPAB—War Contracts Price Adjustment Board.

Fluorescent PLEXIGLAS



for Self-Illuminating Signs, Displays, Ornaments

This gleaming PLEXIGLAS sign is *self-illuminating*. It generates its own radiance, creates its own brilliant lighting effect—without wires, bulbs, or neon tubes.

"Built-in" fluorescence is the secret. Impregnated with fluorescent coloring, PLEXIGLAS *traps* light; concentrated rays escape only at the edges or where letters or designs are cut or formed on its surface. Result: In daylight or normal room illumination, Daylight Fluorescent PLEXIGLAS signs and displays glow with mysterious brilliance.

Designers and display-makers everywhere are planning new uses of Daylight Fluorescent PLEXIGLAS. And in every application, their work is simplified by its strength, lightness, shatter-resistance, ease of forming and machining. Learn now what this new acrylic plastic can do for you. A call or a card brings you full information.

The soda fountain display sign illustrated above is made of Daylight Fluorescent PLEXIGLAS by Steiner Plastics Manufacturing Company, Inc., Long Island City, N.Y. for the Pepsi-Cola Company.

PLEXIGLAS is a trade-mark, Reg. U. S. Pat. Off. PLEXIGLAS acrylic resin sheets, rods, and molding powders are manufactured only by Rohm & Haas.

Don't Miss
THE PLEXIGLAS EXHIBIT
at the
NATIONAL PLASTICS EXPOSITION
Grand Central Palace, New York
Sept. 27 to Oct. 1

ROHM & HAAS COMPANY

Washington Square, Philadelphia 5, Pennsylvania

Manufacturers of Chemicals including Plastics • Synthetic Insecticides • Fungicides • Enzymes • Detergents • Germicides • Chemicals for the Leather, Textile, Ceramic, Rubber, Paper, Petroleum and other Industries.



CITIES

Rain by Contract

Modern rainmaker gets \$30,000 to wring water from San Diego's clouds by dry ice.

The memory of Hatfield the Rainmaker still haunts San Diego. In 1916, the city signed a contract with Charles M. Hatfield. He set up towers, uttered some mumbo jumbo to the heavens. The deluge that followed was the greatest disaster in San Diego's history. Whether Hatfield turned it on was debatable; but he certainly didn't turn it off in time to prevent a deluge of damage suits. Luckily for San Diego, the courts decided that the rain was an act of God, not of Hatfield.

• **No Incantations**—Now a new rainmaker has appeared. This one waves no wands, mutters no incantations, gives no gilt-edged guarantees. For a fee of \$30,000, Dr. Irving P. Krick, meteorologist, has agreed to bring down water that will soak the ground this month and next—so that winter rains may run off into the storage reservoirs.

Krick, a former professor who made a paying business out of weather forecasts for businessmen, will employ the scientist's tool of cloud-seeding. His contract with San Diego County and a number of neighboring irrigation districts is one of the first large-scale commercial uses of dry ice to drain clouds of their moisture.

• **Just in Case**—Just in case Krick turns it on and, like Hatfield, can't turn it off, the sponsoring authorities are protected by Lloyd's of London. For a \$1,750 premium, Lloyd's is providing up to \$500,000 for property damage.

Krick's target is to produce an inch of rain over the northern part of San Diego County.

• **Dry-Ice Spray**—When cloud formations look right, he will dispatch Paul Mantz in a converted B-25 bomber from Burbank airport with a load of 1,000 lb. of dry ice. Flying at 25,000 ft., Mantz will spray 70 lb. of dry ice into storm centers of cloud formations at intervals of about five miles.

Krick thinks San Diego has what it takes for a rainmaker. The nearby Gulf of California supplies plenty of moisture-filled clouds; the Pacific supplies the wind. The combination makes a good starting point for rain.

Despite the insurance policy, there's still some trepidation in official quarters over possible damage suits. Much as it wants rain, San Diego doesn't want to be a guinea pig drowned in lawsuits.



Underground River **—THAT FLOWS UPHILL!**

A river of coal flowing up from the depths of the earth—1,000 tons an hour moving smoothly on a giant conveyor belt! In modern *mechanized* mines like that pictured above, coal is pouring forth in this “streamlined” fashion—at a production rate for the entire U. S. never before equalled.

Yes, coal mining has come a long way since the “pick-and-shovel” days. In all progressive American mines, *machinery* helps the miner to do his job more easily, more safely, more efficiently. Machines enable the U. S. coal miner to produce far more tons per day than the coal miner of any other nation. In turn, the American coal mining industry pays its workers the highest average weekly wage of *any* major industry.

Mechanization, with all its benefits, has been the result of *foresight* and *faith*. Mine manage-

ment has had the *foresight* to install machines—and the *faith* in coal's future to reinvest profits in every kind of mine improvement.

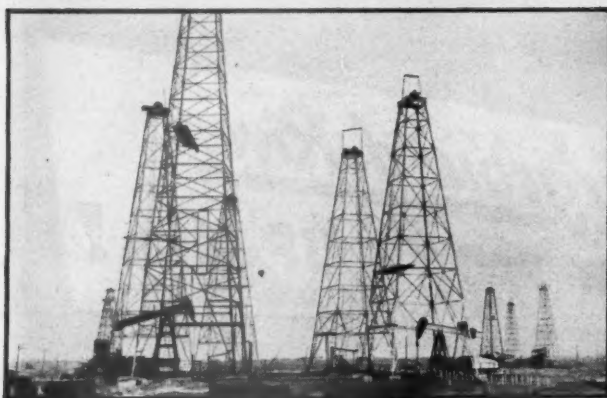
Yes, and in preparation for the still greater needs of tomorrow, the coal industry is planning more mechanization, new machinery, new mines, new preparation plants, which will call for expenditures totaling half a billion dollars during the next three years alone! The industry must rely mainly on earnings for financing this program—that it may serve America with ever-increasing efficiency.

BITUMINOUS COAL

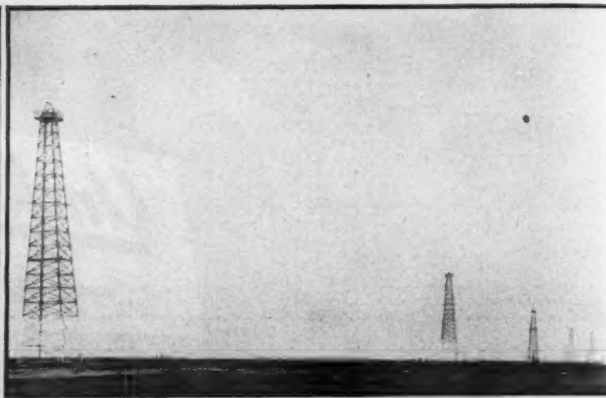
BITUMINOUS COAL INSTITUTE
A DEPARTMENT OF NATIONAL COAL ASSOCIATION
WASHINGTON, D. C.

BITUMINOUS COAL . . . LIGHTS THE WAY . . . FUELS THE FIRES . . . POWERS THE PROGRESS OF AMERICA

PRODUCTION



CROWDED OIL WELLS like these have given way to . . .



WIDE SPACING, with 40 acres per well, to help in . . .

Tapping The Vast Reserve of Hard-to-get Oil

Scientific production, especially secondary recovery, is getting a lot of attention. One reason: It's cheaper than wildcatting.

When oilmen talk about petroleum reserves, they don't mean all the oil known to be underground. They mean only the amount which they figure they can get out economically by methods they know about now.

The latest estimate of the American Petroleum Institute puts U. S. proved crude oil reserves at nearly 21.5-billion bbl. (as of Jan. 1, 1948). But oilmen know that's only a fraction of the crude trapped in the oil sands. J. P. Jones, director of production for the Pennsylvania Grade Crude Oil Assn., told a House Armed Services subcommittee early this year that unrecoverable oil may well amount to 100-billion bbl. or more. Even the most conservative experts admit that the best present-day practices still leave 20% or more of the oil in the ground.

• **Search**—Petroleum engineers are working constantly to devise new ways to coax more crude out of the ground. Federal and state agencies are doing their part. Their interest extends beyond the technical aspects and into the regulatory realm. Spacing of wells and the rate at which crude is removed have a big effect on the ultimate production of an oil field; so these are matters for careful regulation. Also, some techniques need the cooperation of all operators in a field; such cooperation needs a legal O. K.—sometimes even official encouragement.

Next week the Interstate Oil Compact Commission, a voluntary organization of oil and gas producing states, meets in New York. The delegates will dig into many problems of oil recovery, but a big share of their attention will go to secondary recovery—a broad term cov-

ering the use of artificial force to drive crude out of the oil sands and into producing wells.

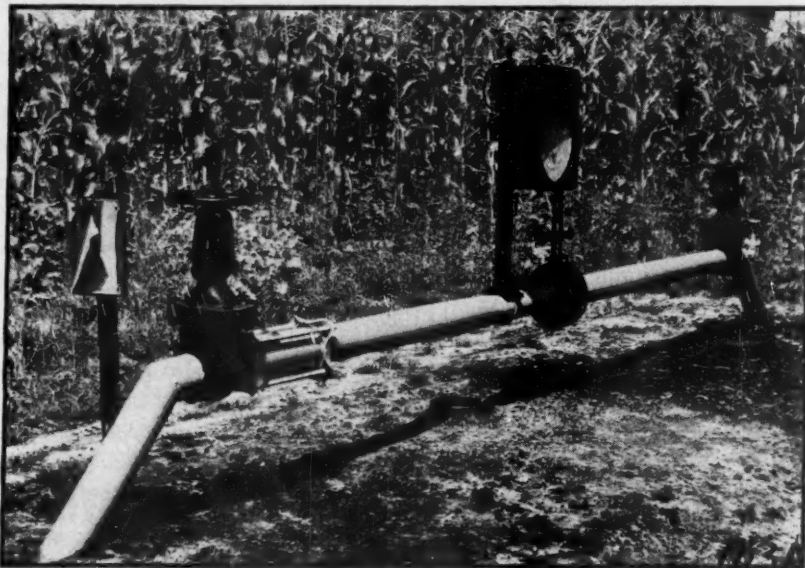
• **How Oil Well Works**—To understand secondary recovery, you have to know how oil is produced. Overlying any oil pool is an impervious rock cap; this traps the oil and gas, preventing them from escaping to the surface. Tremendous pressure often is built up; this pressure may come from the compressed gas, from salt water pushing against the outer edges of the oil deposit, or both.

When an oil well is drilled through the rock cap and into the oil sand, it's

like sticking a hole into a balloon. What's inside rushes into the hole. In this case, oil and gas pour into the well. In many instances, this same pressure lifts oil and gas clear to the surface.

But when you puncture a balloon, the pressure finally gives out—unless you keep pumping it up. Just so with an oil well: Unless artificial means are taken to maintain gas and water pressure in the oil pool, the energy which pushes the oil out of its underground reservoir may drop to nothing. Where this happens, you can often get additional oil by pumping. But pumping is costly, particularly where it produces only a few barrels of oil a day.

• **Abandonment**—Every year, thousands of wells are abandoned—sometimes be-



GAS GOES ROUND AND ROUND. Repressuring an oil well is one way to get out more crude. Here, gas that comes up with the oil is pumped right back into the well to help maintain the underground pressure that forces the crude to the surface

cause they're uneconomical to operate, sometimes because they have simply stopped producing even when pumped. Yet the oil sands that these wells tap are known to contain millions of barrels of unrecovered oil.

Only in the past two or three decades have scientists begun to learn how to cut down the amount of unrecovered oil. They have found, for instance, that the pressure of water surrounding many oil pools helps to push oil into the wells. But the water movement must be kept slow, and it must be uniform over the whole oil pool. If pressure around one well is reduced too rapidly, the water will rush toward that low pressure area; and in its progress it will drown out big sections of the oil sand, ruin other wells.

That's the reason for state rules that make producers withdraw oil and gas from wells at rates which are most efficient. (These rates vary for different fields and well pressures.)

• **Further Progress**—Secondary recovery carries this conservation one step further. It's done in two main ways:

(1) **Repressurizing**—that is, pumping gas back into the oil sands to build up pressure and force out more oil.

(2) **Water flooding**—pumping water into the oil sands under high pressure.

Pennsylvania offers a good example of what you can gain by secondary recovery: Last year, 82% of the nearly 13-million bbl. of high-quality crude produced in the state was by secondary recovery. In the Bradford field, more oil has been recovered in 27 years of water flooding than in 51 years of primary production.

• **Starting Early**—The trick of putting gas and water back into oil sands is not limited to wells and fields that have lost their natural pressure.

Under the best modern conservation practices, producers take oil out at a rate that the natural inflow of underground water can keep up with. They may also reinject all of the gas they obtain with the oil. In this way they maintain the reservoir pressure, and can expect to net much more oil.

In some oil fields, you can also inject water during production to keep up underground pressure. Water injection in the East Texas field, biggest single oil field in the nation, is estimated to have boosted recoverable reserves there by 600-million bbl.—a substantial part of that field's 2.5-billion-bbl. reserve.

• **The Future**—Researchers are on the lookout for still more ways to boost secondary recovery.

One now attracting interest is based on the discovery of bacteria that help oil escape from underground formations (BW—Jan. 18'47, p50).

Another is still in the hush-hush stage. It involves the use of sound vibrations to put oil into emulsion with

simple to learn



simple to operate



**the fully automatic
Marchant
Calculator**

Because it has fewer controls and requires less pre-setting, the Marchant is easy to learn. And it is always ready to multiply, divide, add and subtract—or go from one type of problem to another—without pre-setting any controls. Moreover, a Marchant will turn out the greatest volume of figure-work with the least effort, because it is more completely automatic than any other calculator.

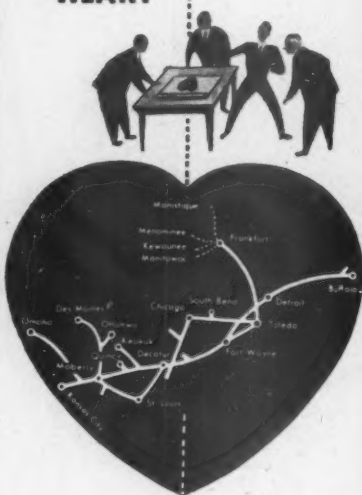
*** ASK THE MARCHANT MAN (you'll find him in your phone book) to prove every one of these points that will add to your profit. For an example of Marchant Simplicity, please write for Folder 18.

MARCHANT CALCULATING MACHINE CO.
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AUTOMATIC SILENT-SPEED

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HELP YOU
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THE
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**WABASH
RAILROAD**

water, after which it could easily be pumped out. The oil-water emulsion has been created in the laboratory by this method; whether it can be done in oil fields remains to be seen.

• **Search for Knowledge**—Oilmen won't be satisfied until they have learned how to wring the oil sands dry.

That's why the Interstate Oil Compact Commission, the U. S. Bureau of Mines, American Petroleum Institute, state agencies, oil producers' associations, individual oil companies, and technical schools are stepping up their investigations.

I.O.C.C., for instance, is going at this job from many angles. In 1947, it set up an advisory committee on secondary recovery. One of its projects is to encourage states to enact laws that permit "unitization" of oil fields. (You can carry out secondary recovery or pressure maintenance most effectively only if producers agree to operate a field as a unit, sharing costs and benefits.)

The Bureau of Mines has secondary recovery studies under way at six field

headquarters. Early this month the bureau allotted \$300,000 for the current fiscal year's work in this and the related field of refinery processes.

• **Incentive**—There's a very good reason for the oil industry's secondary recovery research: The cost of finding new oil reserves has soared. Robert E. Wilson, chairman of Standard Oil Co. of Indiana, estimates that since 1936 the cost of wildcatting (drilling a well in new territory where there is no certainty of locating oil) has increased sixfold per barrel of reserves found.

When you produce oil by secondary recovery, there's no heavy exploratory cost, and little or no drilling.

That's why many oilmen feel secondary recovery is more economical than many primary operations—and certainly more economical than synthetic oil (BW—Jan. 24 '48, p. 21) or shale oil (BW—May 8 '47, p. 42).

• **Goal**—Secondary recovery has already added some 4-billion bbl. to the nation's crude reserves. The oil industry will be disappointed if this figure is not multiplied many-fold in the years to come.

THE PRODUCTION PATTERN

UNLESS your customer knows how to use your product, it can't gain solid acceptance.

Most manufacturers are perfectly aware of that. They prepare elaborate instruction manuals, data sheets, etc. They offer engineering help on tough applications. But one of the biggest helps can be the manufacturer's technical staff. The technicians talk product language; and if they can talk directly to the customer, there's a good chance that there will be a payoff.

Hunter Pressed Steel Co., Lansdale, Pa., is one that's trying such a technique. Next week Hunter starts a series of two-day refresher courses on spring design and specification. The "pupils" will be engineers and designers of customer companies; the "teachers" will be Hunter's own technicians. The course will stress design, specification, tests, application. Hunter says that spring users can save their dollars if attention is paid to such details. So Hunter volunteers to share its know-how.

Hunter, in throwing the course open to any manufacturer interested in springs, is on familiar ground. The company has recently had a similar course on quality control (BW—Feb. 21 '48, p. 54). That

one got an encouraging amount of attention. Federal Products Corp. of Providence, R. I., is another that has sponsored courses on quality control (BW—Jun. 21 '47, p. 48).

THESE MOVES have a double significance.

They show that industry knows there's a place for education on a technical level, as well as on the sales appeal level. Education via handbook and data sheet is all right, but it's partly in a vacuum. At the plant, it's much more dramatic, effective.

You bring a potential customer's technical man into your plant to show him how to use your product—so that he will design it into his product.

Similarly, a production man can exert great influence on costs. If he, too, knows well the products with which he works, he can bring about greater efficiency.

Hunter's "school" on springs is aimed at the engineer. Federal's and Hunter's previous schools on quality control did a similar job for the production expert.

All told, this makes a nice package. Management men should take a good look at it, even if they don't know a bolt from a blueprint.

British Bakelite Plant Operates Automatically

LONDON—The British plastics industry was taking a good look this week at a fast-stepping newcomer. At Aycliffe in northeast England, Bakelite, Ltd., had just finished its first month's operation in a new plant. Packed into it is a lot of advanced production equipment for phenolic molding material.

• **Automatic Control**—From start to finish, every stage of the complex series of operations that convert raw material to finished Bakelite is automatically controlled. With electric devices timing each step, there is no chance for variations in the product such as there is with manual control.

The new plant will boost Bakelite's output by about 33½%. Just how much that means in tonnage, though, the company won't say.

• **Prewar Techniques**—The new plant's innovations are based largely on techniques worked out before the war in the firm's main plant at Tysley, near Birmingham. These developments, in turn, drew heavily on the knowledge of American technicians of Bakelite Corp. (now a subsidiary of Union Carbide & Carbon Corp.).

There are no financial ties between the American and British companies.

But they do have a free interchange of technical information and a working friendship.

• **Second Plant**—At the same time the phenolic plant went to work, an equally modern pilot plant for urea molding materials was started at Aycliffe. There is also a temporary production unit making Vybak (vinyl resin) compounds.

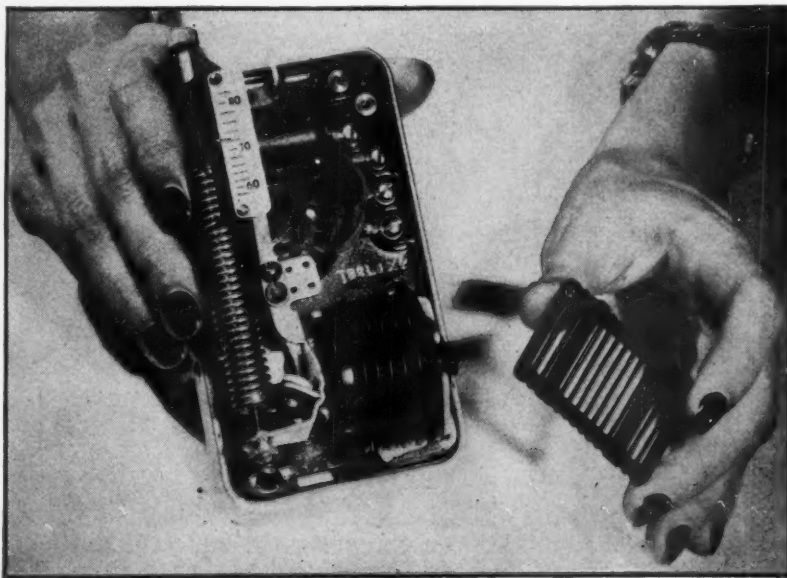
The works are in one of the British government's so-called "development areas"—where new factories are directed to locate to absorb surplus labor. Eventually, the project will expand to double the size of the present site (35 acres). Total cost is estimated at about \$8-million.

Bureau Studies Problem Of Water in Coal Mines

The Bureau of Mines will plank down the best part of a \$396,100 appropriation from the 80th Congress for research on an old problem: how to get rid of mine water in the hard-coal fields.

The hard-coal fields are particularly plagued because of the geological structure of the Pennsylvania fields. The coal is in slanting veins worked from the top down. This admits a good deal of surface water. Also, many mines are worked below the level of underground streams.

Over the last quarter century mine



New Control Makes Thermostats More Sensitive

Cutting out a mass of gadgetry, Minneapolis-Honeywell Regulator Co. has developed an electronic control system for air conditioning. The device, the company says, is 100 times more sensitive than conventional systems. The temperature-sensing element (right) is made of 51 turns of wire

on a plastic spool. Temperature changes are measured and amplified electronically to activate control equipment. The older thermostat (left), in which bellows expand and contract according to heat changes, has moving parts, is bigger and considerably more complex.

Reduce
The Cost of
Parts at Point
of Assembly

ONLY FORGINGS Offer So Many Sure-Fire Ways To Do It!



◀ A 220 per cent increase in rate of machining was obtained by forging this actuating lever.



◀ A weight reduction of 22 per cent and a considerable saving in machining and finishing time was obtained by forging this clutch yoke.



◀ Forging this sprocket saved 18 lbs. of metal and reduced machining and finishing time 40 per cent.

• There are thousands of instances where forgings have reduced the cost of parts at the point of assembly. Forgings provide rapid assembly of complex parts by welding adaptability of widest range; forgings permit reduction of dead weight because maximum strength and toughness are obtainable in lighter sectional thicknesses; forging to shape avoids waste of metal and reduces machining and finishing time-cost. The metal quality and cost-reducing possibilities obtainable in forgings cannot be equalled or duplicated. Recheck every stressed part in your equipment, as well as simple handles and levers, and consult a forging engineer about possibilities for reducing parts' costs at the point of assembly. Only a Forging Engineer can inform you fully regarding the numerous advantages obtainable with forgings.

Write for booklet on "Metal Quality—Hot Working Improves Properties of Metal" which illustrates and explains the fiber-like flow-line structure of forgings.



**DROP FORGING
ASSOCIATION**
605 HANNA BUILDING
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where Cotton



SON CAMERON and ex-teacher wife Evelyn check blueprints of new home. Cameron manages a 1388-acre tract and acts as general trouble shooter.

**The hard-working Deans earn royal returns
in good living with good farming**

believe in being partners . . . with their sons, the people they work with, their business associates and, above all, their land.

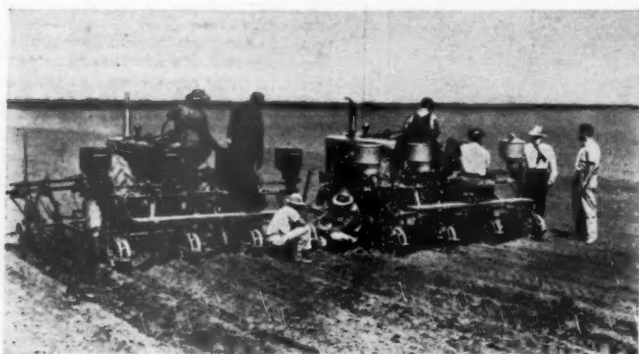
The Deans' good living is an earned return. They have worked out their success with vision, planning, persistence and fair play . . . with good farming. It has paid off handsomely in education and careers for their sons, comfortable homes, mortgage-free lands—and best of all, in the satisfaction and security of accomplishment.

THERE's a new day in the Old South wherever families like the Deans are farming.

In 1905, Homer and Mrs. Dean started with a whopping debt and a mortgage on their home. Now, with their sons and the co-owners, they manage over 10,000 acres—with half the land in cotton.

They have built their big plantations—and they run them—with the closest kind of teamwork. They

The Deans are a Country Gentleman family whose full story appears in the September issue. It is one of the Good Farming-Good Living series—the human, heart-warming, true pictures of farm life, read regularly by millions of The Best People in The Country.



PLANTING some 5700 acres to long staple cotton is big interest in life for all the Deans. Their 100 machines include 44 tractors, mechanical cotton picker. Other crops: alfalfa, oats, milo, corn.



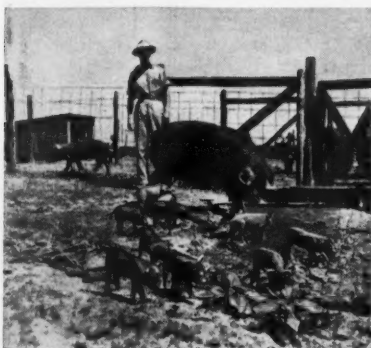
AN ENTHUSIASTIC HUNTER, Cameron also finds time to play golf with his wife. The Dean clan is well fixed for transportation. The women sometimes drive as far as Memphis and New Orleans on shopping expeditions.

The best people in The Country

is King



HOMER and son John Marion Dean sampling cotton. Rich Delta soil has produced as many as 50 consecutive crops with never a harvest under a bale an acre. Homer is on the Delta Cotton Council, chairman of all Delta drainage districts, director of Farm Bureau.



PUREBRED DUROC JERSEYS are a specialty with Cameron. He encourages 4-H boys and girls to raise them. A graduate of Washington and Lee University, Cameron is sold on plantation life.



ATTRACTIVELY DECORATED living room, big enough for all the Deans and their friends, includes grand piano. Younger Dean families have record players and large record-libraries.

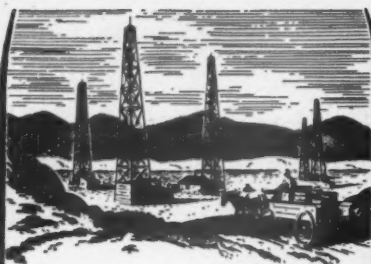


THE HOMER DEANS' HOUSE has grown as they prospered, now has 11 rooms, 2 baths. Newest appliance is an 18 cu. ft. zero freeze. The John Marions live nearby in modern brick bungalow.

turn to Country Gentleman
for Better Farming,
Better Living



2,300,000 circulation
concentrated among
the "top-half" farm
families who receive
90% of the nation's
entire farm income.



FROM THE TIME OF THE WESTERN "OIL RUSH..."

**PACIFIC-WESTERN
GEARED PRODUCTS
have served the
OIL INDUSTRY**

Even in 1898, when the San Joaquin oil discoveries started a western oil rush, "PACIFIC-WESTERN" was already supplying gear products to the youthful industry.

Nearly a fourth of all the nation's oil is now produced in the west. In the processes of this great industry—drilling, pumping, refining, and transporting—PACIFIC-WESTERN reducers, bandwheel drives, special transmissions, high-speed units, and other geared drives are prominently known.

In the west, it's PACIFIC-WESTERN geared products

In the pulp and paper, mining, chemical, lumber, fishing, food and all the other industries, "PACIFIC-WESTERN" is again the primary supplier of gears and geared products designed and built for the specific needs of each industry.

We are both proud and careful of our more-than-50-year record as gearmakers to western industry.

When you need geared equipment for your western plant, be sure to make use of our specialized engineering experience and our three large plants with the finest gear-making facilities in the west.

Write, wire or phone
for assistance on your current
geared-drive needs.

Western Gear Works, Seattle 4, Wash.
Western Gear Works, Box 192, Lynwood, Calif.
Pacific Gear & Tool Works, San Francisco 3, Calif.
Sales Representatives:
Houston • Portland • Salt Lake City

PACIFIC WESTERN
GEAR PRODUCTS

owners have had to pump a steadily increasing amount of water out of the mines to keep up normal operations. In 1923 the ratio was about one ton of water for each ton of anthracite extracted. Today an average mine has to dispose of about 13 tons of water for every ton of coal mined; in some collieries, the ratio is as high as 45 to 1.

The way bureau engineers see it, the flooding problem is not only a threat to current production but a factor that may cut short the life of the industry itself. Bureau men have long encouraged flood-control projects by individual operators. But an over-all plan for the region has been stymied by the probable steep cost—estimated at about \$100-million. Now, for the first time, the bureau will have funds to go ahead with an extensive study of the area, outline control measures, pin down costs,

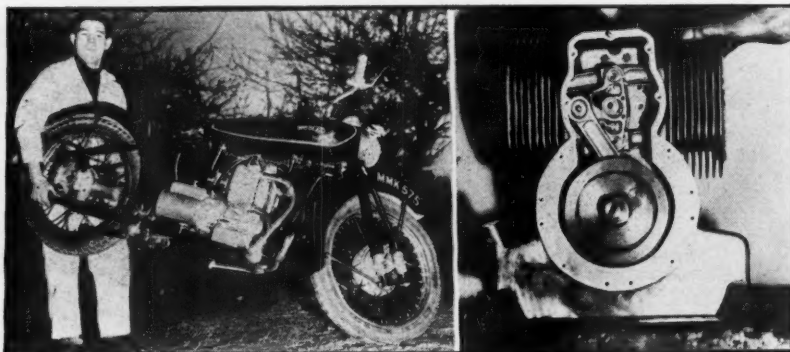
weigh benefits, suggest methods of financing.

QUIETER SUBWAYS

Rubber pads will cushion the rails on Chicago's new Dearborn St. subway when it goes into operation early in 1949. The rubber will fit between the wooden ties on the floor of the subway and the steel tie plates which hold the rails. Result: less noise and vibration from the trains.

Chicagoans have been riding on rubber padded rails since 1943 on the State St. subway. But the new cushions, engineers feel, will be an improvement; a series of holes in the rubber will make the snubbers even more elastic.

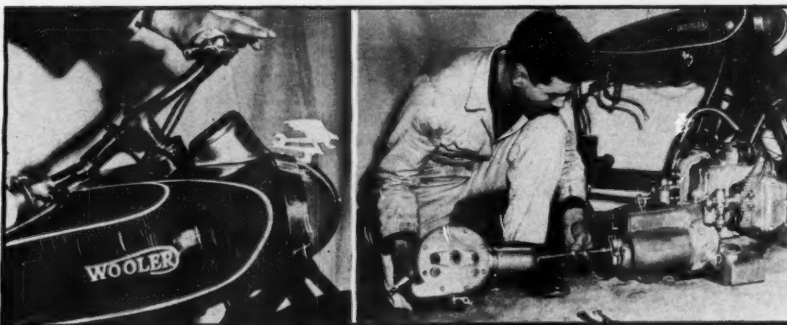
In addition to boosting rider comfort, the rubber will also cut wear-and-tear on the wood ties and on the steel tie



Light Motorcycle With Powerful Little Engine . . .

A new speedster, this British motorcycle packs a host of features that exporters hope will send its sales soaring in the overseas market. The 230-lb. Wooler has a spunky, compact engine (right, above) that squeezes in four cylinders. To save space and weight, the engine is built with a rocker beam and a single master connecting rod. The triangu-

lar-shaped beam rocks on a pivot when diagonally opposite pistons fire together. The rocking action is carried to the master connecting rod attached to one end of the beam; it causes the rod to move up and down in an arc. This produces a rotating movement at the other end of the rod where it joins the crankshaft.



. . . Has Novel Features as Export Sales Lure

Streamlined, the machine makes 84 m.p.h., gets about 100 mi. to the gal. at close to top speed. Headlight and speedometer are curved into the gas tank—(left, above). The cycle is easy to take apart for repairs. It

takes six minutes to remove the engine, gear box, shaft drive, and rear wheel. The manufacturer is Wooler & Sequerra, Ltd., Willow Bungalow, West End Lane, South Ruislip, Middlesex, England.

plates. B. F. Goodrich Co. will supply about 40,000 pads and 160,000 big rubber washers for the job. How long the cushions will last, no one knows. But engineers say that 50 years is as good a guess as any.



Package Props . . .

A Houston engineer, A. R. Engler, has developed a way to stop damage caused by shifting cargo in railroad cars. Engler, who heads Specialty Mfg. Co., designed a system of vertical stanchions to hold mixed lots of merchandise during transit. The stanchions, anchored to I-beams at the top of the car, come down to fit in a slotted metal strip on the floor.



. . . Stop Cargo Shifts

Here the stanchions are in position, with a wooden frame holding packages of assorted sizes in place. Slots in the stanchions will take platforms or shelves made of either metal or wood. The New York Central R. R. is testing the system.

BUSINESS WEEK • Aug. 28, 1948



DEPENDABLE!

Railway Express is part of the modern miracle of transportation which makes the people of your community neighbors with those of other cities and towns from coast to coast. Neighbors . . . who depend on each other, near and far, for the essentials and luxuries which contribute to our way of life.

The men and women of Railway Express are your neighbors, too, wherever you may live. They work with you and for you to provide a complete shipping service for every one of your business and personal needs. You'll find them dependable neighbors, always ready to serve you with speed, efficiency and courtesy. It's good business to say, "Ship it RAILWAY EXPRESS!"

RAILWAY EXPRESS

- ... Maintains 23,000 offices (there's one near your factory, office or home);
- ... Uses 10,000 passenger trains daily;
- ... Has 18,000 motor vehicles in its pick-up and delivery services;
- ... Offers extra-fast Air Express with direct service to 1,078 cities and towns.



NATION-WIDE

RAIL-AIR SERVICE

NEW PRODUCTS



Delivery Scooter

If you're a retailer or small manufacturer, B. & B. Specialty Co. thinks you'll be able to find a score of light hauling jobs for its new package carrier. The three-wheel motor scooter has a 250-lb. capacity, a package compartment that measures about 15 cu. ft. The machine is easy to drive, will turn in its own length (8 ft., 3 in.); it gets about 75 mi. to a gallon of gasoline. The engine is a 1-cylinder, 4½-hp. model; top speed is 30 to 35 m.p.h. The manufacturer's address: Blue Ash Ave. & Alpine Pl., Rossmoyne, Ohio.

• Availability: 30 days.

Mechanized Cleanup

A portable, electric steam cleaner made by Livingstone Engineering Co. will mechanize your mop and pail brigade, save time and labor on industrial cleanup jobs.

According to the manufacturer, the Speedylelectric Steam-Jet Cleaner will clean walls, ceilings and windows, sterilize washrooms, degrease machinery, parts and tools. The cleaner feeds steam to the cleaning nozzle where the operator adds a soap solution or detergent from a separate channel with a fingertip control. The solution atomizes with the steam when it hits the surface being cleaned. A pressure tank keeps the flow of detergent or solvent to the nozzle at a steady rate of flow—at whatever rate and pressure you want.

The unit weighs about 400 lb., is mounted on a steel dolly with ball bearing swivel casters. Included with the cleaner are high pressure steam and detergent hose, nozzle and controls. The machine works on a.c., 220 v. and above. The company address: 100 Grove St., Worcester 5, Mass.

• Availability: October.

Wood Protector

A corrosion-resistant coating, Carbo-Kote, is designed to protect wood floors, tanks, and tables in chemical, paper, and food processing plants. A

thermosetting (heat resistant) resin, it can be applied with a brush, will "set" at room temperature to form a hard, waterproof surface that resists most acids, alkalis, and solvents. Once set, the coating can't be separated from the wood.

According to the manufacturer, Carbo-Kote will withstand temperatures up to 325 F. At heats above that point, the coating will decompose slowly. Developed primarily for use on wood, it works just as well on rubber and carbon, the company says. Experimentation is under way with a special primer that will adapt the coating for use on steel. The manufacturer: Carboline Co., 502 N. Taylor St., St. Louis 8.

• Availability: one week.

Speeded-Up Nail Maker

High-speed operation is the big feature of a new nail-making machine developed by Black Industries, 1400 E. 22nd St., Cleveland. The one model now in production will turn out about 430 eight-penny nails per min.

Because working parts are completely enclosed and operated under pressure lubrication, Black believes the machine will go a long way toward cutting maintenance and repair costs. Main shaft bearings have a 30,000 hr. life; the circular cross head operates on a film of oil. Noise and vibration are cut to a minimum.

Made completely of steel, the present machine weighs 4,500 lb. Within a year the company expects to have nine different models in production. They'll turn out sizes from the smallest brads to spikes.

• Availability: for the eight-penny model, eight weeks.

Lead-Free Paint

In industrial areas where sulphurous gases are in the air, outside lead paints will often change from white to grey and black. Pittsburgh Plate Glass Co. thinks it can stop this switch with its new Sun-Proof paint. The paint uses a titanium pigment, is entirely lead-free.

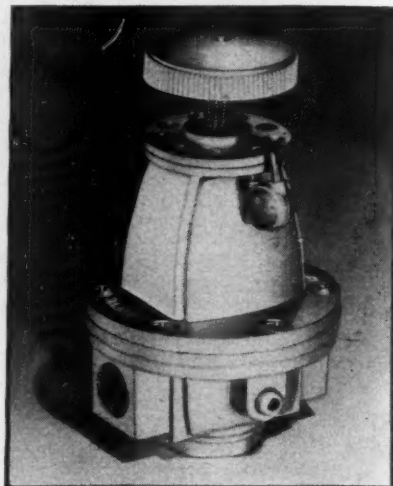
Among the advantages cited by the company:

- Superior initial color, and resistance to discoloration;
- Fast drying rate;
- Better brushability allowing proper spreading for two-coat painting specifications;
- Smooth finish, good hiding qualities, and resistance to checking and chalking.

The paint comes in white and colors. It works equally well on wood, brick, or masonry, the company says.

Pittsburgh Plate Glass is at 632 Duquesne Way, Pittsburgh 22.

• Availability: immediate.



Tamper-Proof Pressure Control

Pressure changes in air supply lines can upset a lot of equipment if the operator doesn't know what he's doing. Hannifin Corp., 1101 S. Kilbourn Ave., Chicago 24, says it has a pressure regulator that will see to it that your controls aren't tampered with.

The regulator can be locked at a particular pressure setting by passing the hasp of an ordinary padlock through matching holes in two parallel discs. The lower disc, with four holes, is attached to the body of the regulator. The upper disc is keyed to, and turns with, the pressure adjusting knob. There are 36 possible locking combinations; so you can easily make precise pressure adjustments.

The regulator is made in ¾-in. and 1-in. sizes for primary pressures up to 150 p.s.i. A free-floating valve stem makes it possible to reduce or back-off the applied pressure without exhausting the pressure in the supply cylinders.

• Availability: immediate.

Scaffold Hoister

Safety and speed are stressed as the two big advantages of a new aluminum winch, the Saf-T-Swing. Built with an attached stirrup (a U-shaped bar to hold the end of a beam or platform), the winch will raise or lower painters' or builders' swinging scaffolds at a rate of 20 ft. per min. Two of the winches (each with stirrup and 150 ft. of steel cable), are used for each scaffold.

Each winch has three separate locking devices: (1) a mechanical brake that engages automatically when the crank handle is released; (2) a pawl (a tongue or sliding bolt) that you have to release by hand from the drum ratchet



to lower the winch; (3) an automatic crank handle stop that must be disengaged for lowering.

A complete Saf-T-Swing stage includes a guard rail and center post. Platforms up to 2½ x 20 ft. will fit the stirrups. According to the company, loads of 25 lb. per sq. ft. can be handled safely. The winch has three steel cut gears inclosed in a sealed lubrication compartment. Rated capacity is 625 lb. The manufacturer, Safway Steel Products, Inc., is at Milwaukee 13.

• Availability: immediate.

P. S.

Industrial air filter has a collector element of electrostatically charged paper. This paper is laminated cellulose, made of a number of layers of tissue-like sheets. When an electrostatic charge is sent through the paper, the plies tend to separate. Each fiber becomes a collecting electrode which attracts and holds dust and smoke particles. American Air Filter Co., Inc., 200 Central Ave., Louisville 8, the manufacturer, designed the collector for in-between jobs where a mechanical filter doesn't pick up enough dust, but where you don't need the high efficiency of an electronic precipitator.

Neon signs developed by Miles Industries, Inc., Lima, Ohio, are made with the tubes embedded in plastic. The company says that the plastic hides connecting sections, does away with sign fasteners, lessens breakage.

Electric Christmas tree lights can be strung up in any order or placement you want. The lights have a two-piece socket that fits around the electric cord. Inside the top of the socket are two sharp-pointed prongs. When you screw the two pieces together, the prongs pierce the insulation on the cord, make contact with the wires. On-A-Lite Corp., 2838 S. E. Ninth Ave., Portland 2, Ore., developed the system.

BUSINESS WEEK • Aug. 28, 1948



FAMOUS QUOTES

HISTORICALLY SPEAKING

"I ONLY REGRET THAT I HAVE BUT ONE LIFE TO LOSE..."*

GENERALLY SPEAKING

"the container is part of the product"

This means that General Engineered Shipping Containers frequently come down the production lines with the product, as "part of the product." Result: increased production, substantial savings in space, materials, and man-hours.

Furthermore, General Boxes are designed specifically for the product—whether it is large or small, odd-shaped or uniform, fragile or sturdy. We are specialists in designing compact, lightweight, extra-strong containers for hard-to-pack items.

Write us today. Our engineers will be glad to help you solve your packing problems. New copy of "The General Box" is just off the press. It is yours free upon request.

*Nathan Hale (1756-1776)—Every school boy remembers him as the hero of the American Revolution who said: "I only regret that I have but one life to lose for my country."



General Wirebound Crate



General Nailed Box



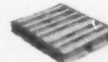
General Cleated Corrugated Container



General All-Bound Box



General Corrugated Box



General Lift Pallet

GENERAL BOX COMPANY, .. engineered shipping containers

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DISTRICT OFFICES AND PLANTS: Brooklyn, Cincinnati, Detroit, East St. Louis, Kansas City, Louisville, Milwaukee, New Orleans, Sheboygan, Winchendon, Natchez.

Continental Box Company, Inc.: Houston, Dallas.

MARKETING



RAILROAD CAR BUILDING (here workers build roof and ceiling for refrigerator car) is highly cyclical, so . . .



POWERFUL TRUCKS, such as this Kenworth job with six-wheel drive for desert hauling, plus . . .



SCHOOL BUS BODIES that have many safety features to meet strict requirements of this field, plus . . .



KIRSTEN CYCLOIDAL PROPELLER that lets Army tug turn on a dime have broadened Pacific Car's base as . . .

Diversified Northwesterner Invades the East

Pacific Car & Foundry to set up warehouse and assembly plant in Chicago area. It started as a maker of logging equipment.

For nearly half a century, Pacific Car & Foundry Co. has been pioneering in heavy hauling equipment. Its plants in the Seattle area produce new designs and equipment for transporting giant western timber from stump to mill. Its tools harness the tractor for mechanized logging.

• **Eastward, Ho**—Because mechanization cut hauling costs, western logging methods are being introduced now for lighter logging in the Appalachians, the Great Lakes region, and Quebec. They are being adapted, too, to industry as remote from logging as pineapple harvesting, oil-well drilling, and strip mining of coal.

This widening of the company's

sales horizon has brought a logical development: This week Pacific Car was completing negotiations to establish a warehouse and assembly plant in the Chicago area. It will be the company's first branch east of the Rockies. Since the war, sales offices have been opened in half a dozen cities of the East and South. And today 45% of P. C. & F.'s Carco tractor equipment has been going east of the Rockies; before the war it was all sold in the Far West.

• **Broad Line**—For more than a dozen years P. C. & F. has been diversifying. Today, besides its logging equipment, it has a varied line:

HOISTS, WINCHES, AND BULLDOZERS

bearing the company's trade name, Carco, are used on all major crawler tractors.

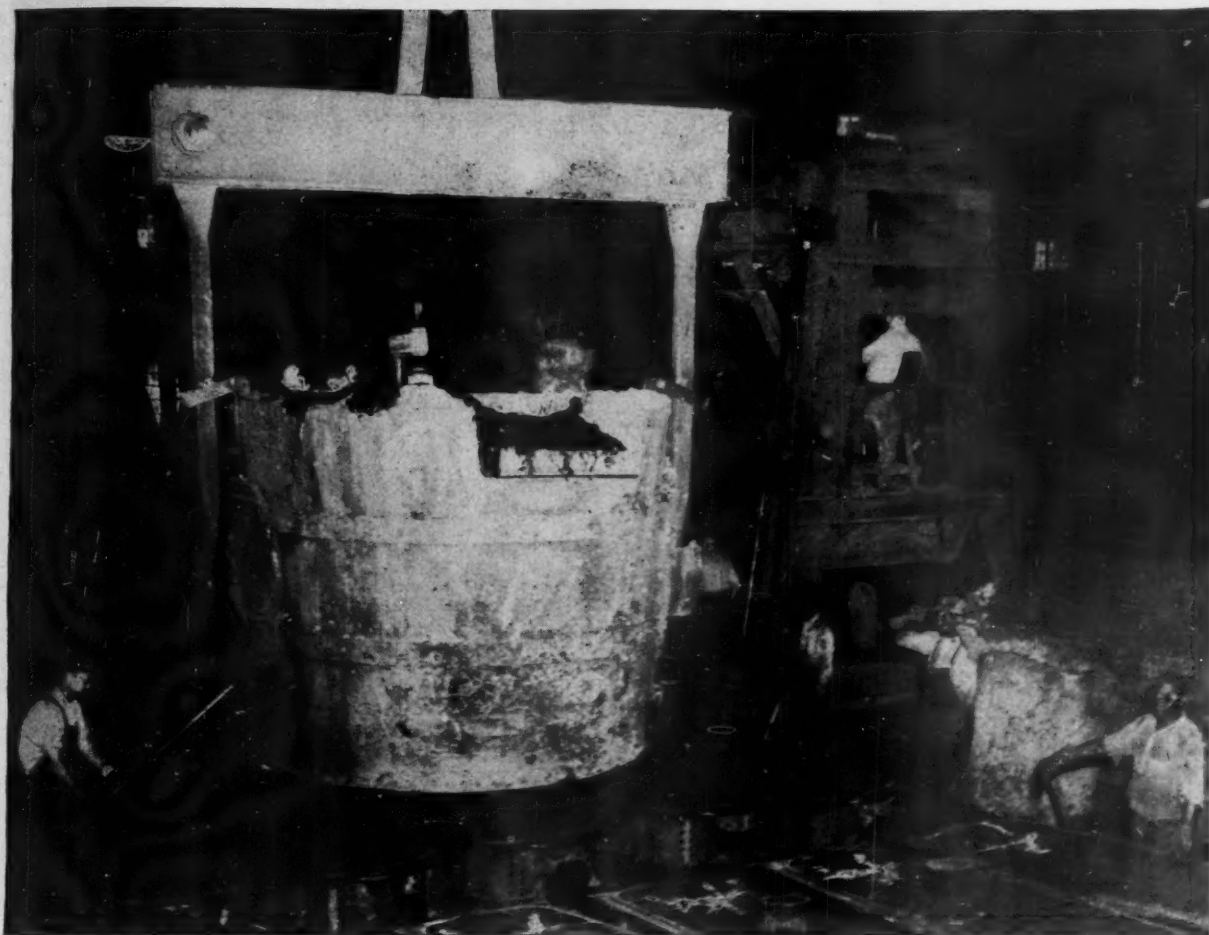
STEEL from the company's structural division at Seattle spans many a river in the Pacific Northwest.

THE BIGGEST DIESEL ENGINES in the world turn up their power on two-ton, 18-ft. crankshafts cast by Pacific Car at its main plant in Renton, Wash.

REFRIGERATOR CARS waiting to be rebuilt jam three miles of railroad siding at Renton.

KENWORTH TRUCKS, built by a subsidiary at Seattle, roll along western highways with general freight, tote hardwood logs in the French Cameroons, haul wine in stainless steel tank bodies in South Africa.

SCHOOL BUS BODIES made by Pacific Car transport school children to classes in



FIBERGLAS*

Electrical Insulations . . . protect motors . . . protect profits

Remember the old saying, "For want of a nail—"?

In a steel foundry, the electric motor drive of the ladle crane holds down a similar, but more important, job. Even a five-minute delay due to motor failure might mean the loss of a "heat"—with all the labor and materials that go into it—and the profit that comes out of it.

That's why, in this installation, they're taking no chances—they're using Fiberglas-base Electrical Insulating Materials in the motors. Fiberglas is a "natural" for such service. It's inorganic—unaffected by corrosive fumes; and its ability to withstand high heat, both ambient and

due to overload, makes it ideal for crane motor service.

Even though only normal demands are placed on your electric power drives, you'll find it good insurance to have the added protection of Fiberglas-base Electrical Insulations. To give your old motors new and longer life—specify Fiberglas rewinds. And to get peak performance from your new motors, specify Fiberglas-base Insulation when you buy. Let us show you complete case study data on how motor life can be lengthened in your plant. Owens-Corning Fiberglas Corporation, Department 803, Toledo 1, O. Branches in principal cities.

In Canada: Fiberglas Canada Ltd., Toronto, Ontario.

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Water Cooler
from the Best Line—
at the Best
Price



**SUNROC
SUPER
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Select from
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17 modern
models just

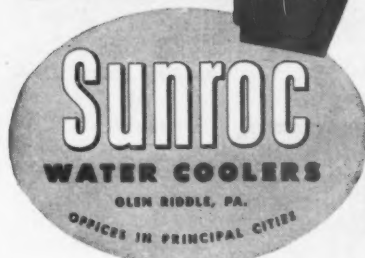
the water coolers you need. Collect the dividends of volume-production in the form of prices which undersell the industry.

The revolutionary Sunroc Super Cooler features three ice-cube trays, a roomy refrigerated storage compartment, and an unfailing source of properly chilled drinking water. The Sunroc Junior Economy Cooler stands alone in its class for efficiency, dependability, and value—the lowest-priced nationally advertised pressure cooler on the market.

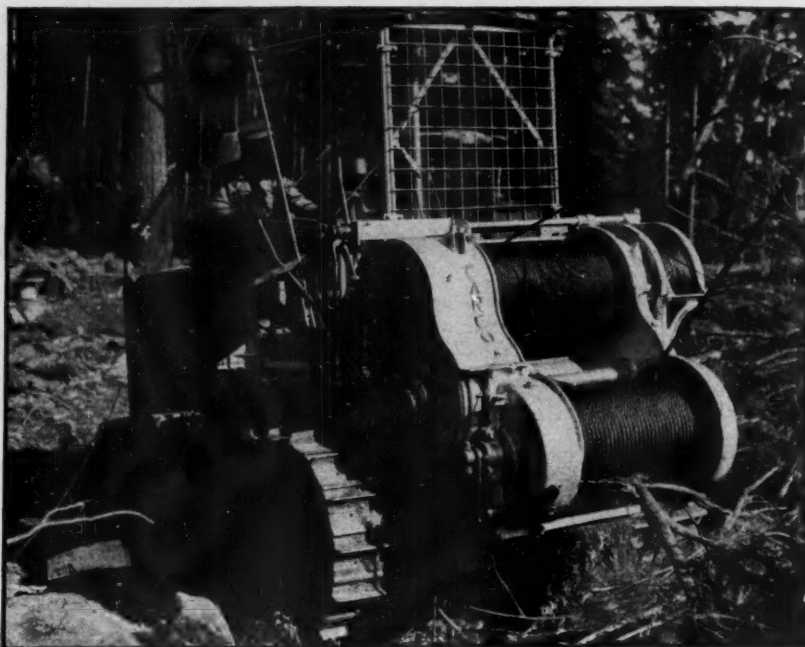
Send today for details on these two sensational pace-makers, as well as information about the full Sunroc line and Sunroc's 5-Year Warranty Plan. Write Dept. BW-8, Sunroc Refrigeration Company, Glen Riddle, Pa.

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line of water coolers,
\$199.95 up, F.O.B. Glen
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**SUNROC JUNIOR
ECONOMY
COOLER**



"SUNROC SERVES THE WORLD... a cool drink of water"



TRIPLE DRUM HOIST mounted on a crawler tractor is typical of equipment Pacific Car makes for heavy logging (it doesn't make the tractors). The hoist loads or stacks logs

the Northwest and in Latin America. **KENWORTH MOTOR COACHES** keep many a western transit system and inter-city bus line moving. Commuters in Uruguay travel to work in buses on Kenworth chassis.

OCEAN LINERS of 10,000 tons drydock and are overhauled at shipyards operated by the company at Everett, Wash.

THE DOODLEBUG—Pacific Car's self-contained, skid-mounted placer mining unit—is used by Idaho miners to pick gold from river beds.

THE REVOLUTIONARY KIRSTEN CYCLOIDAL PROPELLER (BW—Apr. 20 '46, p. 32), built by Pacific Car, drives experimental military vessels.

Never before has the company's output been so large or so diverse. Employment in all its enterprises exceeds 3,000—three times the highest prewar figure. Through the Renton plant rings the shrill sound of heavy grinding wheels polishing new castings, music to the steelman's ears. But it was another story not so many years ago.

• **The Start**—The late William Pigott founded Pacific Car in 1905 to take some of the output of his new steel mill. Pigott had been a traveling salesman for an iron works at Youngstown, Ohio, ran a blast furnace in Syracuse, N. Y., and a rolling mill in Colorado. He went to Seattle just before the turn of the century; there he founded a steel-supply business, a steel mill, then the car company. He traveled widely and in his day was one of the best known steel men in the country.

William Pigott saw a market for railroad logging equipment. The first

settlers had cut the virgin forest from hills around tidewater. Oxen drew the logs over skidroads to water; tugboats completed the haul to mills. Gradually, as timbermen worked farther inland, they called for rail transportation. But no railroad freight car in the country was sturdy enough for these brute logs.

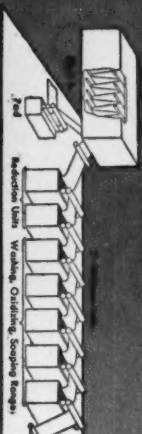
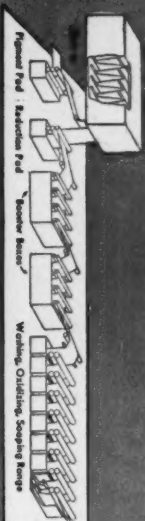
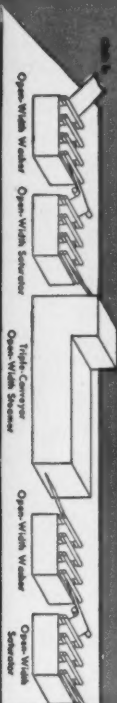
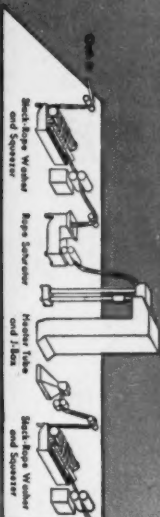
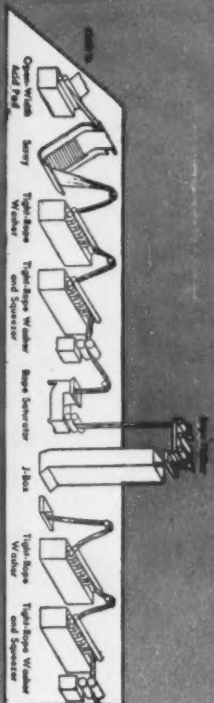
Pigott began designing and building special equipment, tailored to the timber and the terrain. Over the years his engineers added many patented improvements. William Pigott produced between 7,000 and 8,000 logging cars, about 90% of those in use on the Pacific Coast.

• **Branching Out**—Founder Pigott developed some of his employees into that rare combination, the engineer-salesman. He liked to have his men design special equipment on the spot. That was how he picked up orders for box-cars in China and narrow-gauge logging cars in Formosa. He also built special rail equipment for mines and quarries.

Soon after World War I, Pigott went heavily into construction of railroad refrigerator cars. In 1923 the company reached a peak in activity and prosperity.

• **Mergers**—About that time, American Car & Foundry Co. embarked on a program of acquiring plants throughout the U. S. On the West Coast, the only car-making facilities were those of Pacific Car at Renton, Wash., and Portland, Ore. American Car offered cash and preferred stock in a new company. Pigott sold in 1924.

In 1929, William Pigott died, and shortly afterward, Pacific Coast Steel Co., which had grown from the steel



S. H. WILLIAMS complete, all-purpose drying machine

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raise production
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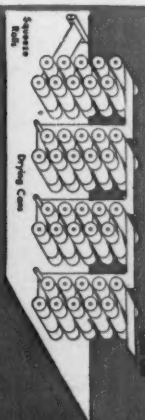
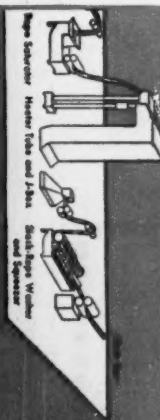
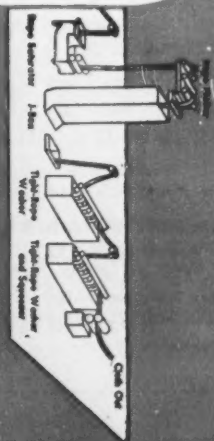


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ADDING MACHINES
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concern he founded, was sold to Bethlehem Steel.

• **Back in the Family**—The depression knocked out car-building. About all that kept Pacific Car alive was structural steel for public works, and some job work in its foundry and forge shops. By 1934 American Car & Foundry, under new management, was ready to sell—cheap.

Paul Pigott (cover), son of Pacific Car's founder, bought control.

In four years of depression, the plant had run down. Skeptically, a Seattle banking friend asked: "What do you want that pile of rust for, Paul?"

"Because," replied Pigott, "I think that with Pacific Northwest management we can make the preferred stock we accepted in the sale 10 years ago worth something. And we can build an industry and a payroll that the Pacific Northwest needs."

• **Plan of Action**—Pigott set in motion a three-point program:

(1) Diversify so as to be independent of the steep ups and downs of railroad car-building.

(2) Build a top-caliber engineering, management, and production team to develop new products and markets.

(3) Rehabilitate the plant.

• **Equipping the Tractor**—At that time tractor logging was just developing. Tractors had plenty of power for the woods, but needed equipment to put that power to work in logging. As the first step, Pacific Car built its own logging arch and sulky, and a line of winches, for use on tractors. (The company does not manufacture tractors.)

Essentially the logging arch is no more than a sturdy frame, shaped like an inverted wishbone, riding on two crawler tracks. The sulky is a lighter version of the arch riding on rubber

tires. Each couples behind a tractor.

A winch with cable draws the log into the arch, keeping the nose out of the earth and thus enabling the tractor to haul bigger loads faster. Whenever the tractor loses footing on a grade or in muck, the operator simply slacks off the cable, runs the tractor and arch ahead to firm ground, then winches the load back into the arch and roars on.

• **New Alloy Helped**—Pacific Car's new patented alloy steel, Carcometal, was a big help in this field. It enabled P. C. & F., alone among manufacturers, to cast the logging arch. That saved fabricating time and cut cost.

By the late 1930's the company had rounded out its complete Carco line of tractor equipment—including the hoists, winches, and bulldozers.

• **War's Effects**—War shortages of labor opened new markets for this equipment. When help grew short in the eastern and southeastern woods, some of the larger timbermen turned to western logging methods. Here tractor, sulky, and winch, working as a unit, replaced truck, mules, and hand labor—or replaced a tractor operating without a sulky. Western methods did the job with less labor, cheaper. Now the method is spreading into other logging sections.

In eastern Canada, Pacific Car is working with pulp and paper manufacturers on experiments to cut logging costs. Two key pieces of equipment are the western logging sulky and portable spar tree—a stripped tree (with base and guy ropes to hold it in position) to which a block and tackle is fastened at the top; line from the winch below is fed through the block and out to the log which has to be moved. Because Quebec timber is smaller than that of the West, Pacific Car has built lighter,



CARCOVAN DELIVERY-TRUCK BODY is the lightest truck product made by Pacific Car & Foundry. It's a postwar addition to the company's expanding line

faster equipment for that specific area.

• **New Uses**—Western logging equipment turns up in strange places. Appalachian strip miners use the timberman's portable spar tree, rigged with conventional logging hoist, to level piles of rock and earth. Here, as the first step in strip mining, power equipment (sometimes a Carco dozer) thrusts aside the earth to reach coal lying below the surface. After the coal has been removed, a drag scraper is drawn back and forth between a stationary tractor and spar tree, leveling ragged piles of the overburden.

In Midcontinent and Texas oil fields, teaming contractors use Carco winches to draw drilling equipment into difficult locations. Drillers use similar equipment to pull up the drill, and to bail water.

• **Rail Cars**—But tractor equipment is only one line. Whenever railroads buy cars, the company gets back into its original business. For two years now the company's car-building and car-repair facilities have operated at capacity. Today they account for about one-third of Renton's factory employment.

Last year the car shop was building new refrigerator cars; now it is rebuilding old ones.

• **Motor Vehicle Bodies**—A variety of bus bodies is produced for domestic and overseas use. To cut shipping costs, the bodies are packaged knocked down for assembly on delivery.

The Carcovan, a delivery body for lightweight trucks, is a new product since the war: It is designed for pickup and delivery service, providing maximum payload for bulky products.

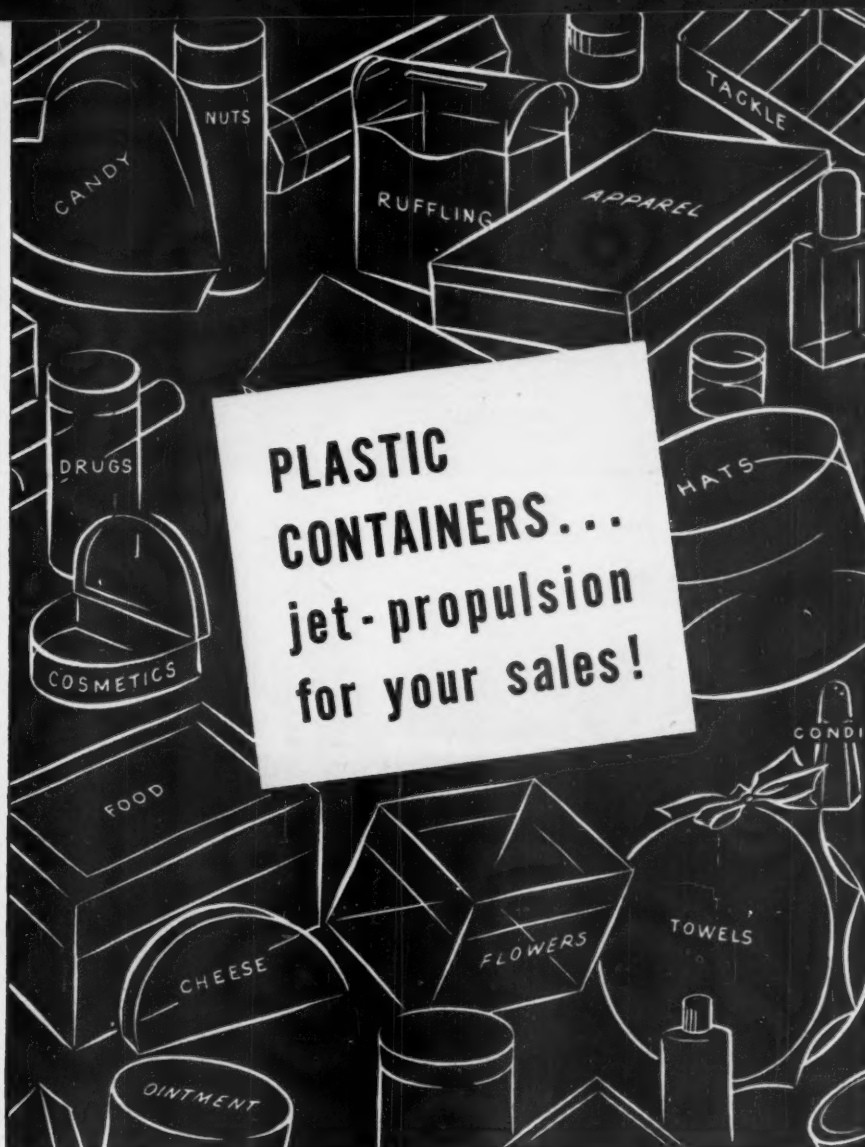
• **Self-Service**—Because Pacific Car was remote from major steel centers, it developed its own facilities for forging, casting, heat-treating, and galvanizing. Job work in these shops helps broaden the company's base.

As a result, the company now calls itself "the largest and most versatile manufacturer of industrial products in the Pacific Northwest." Its government-owned foundry, operated on lease, rates second largest west of the Mississippi.

• **Acquisitions** — Diversification and growth came during the management of Paul Pigott. In 1936 he began picking up new facilities. The first was a small Seattle truck body manufacturer in financial trouble. Then Pigott made a lease-and-management arrangement with Tri-Coach Corp. of Seattle. These two moves put Pacific Car into construction of truck and bus bodies.

When a structural steel fabricator at Seattle was taken over by the banks, Pigott snapped up the physical plant.

• **Wartime Specialties**—The war put Pacific Car in the shipbuilding business. Paul Pigott, his brother, the late William Pigott, Jr., and associates organized Everett Pacific Shipbuilding &



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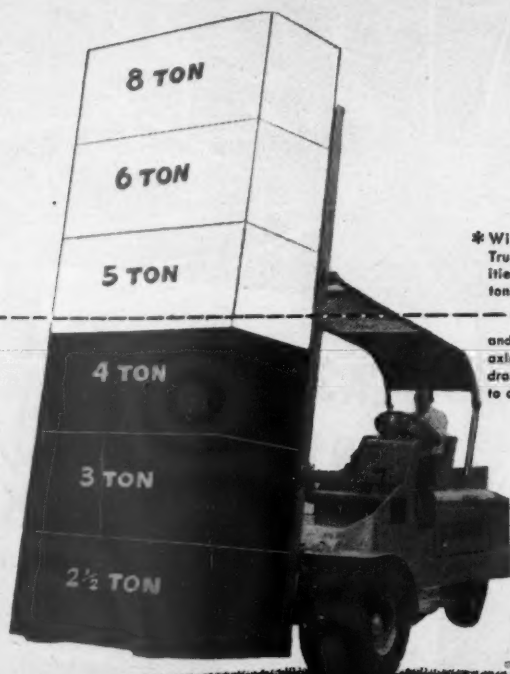
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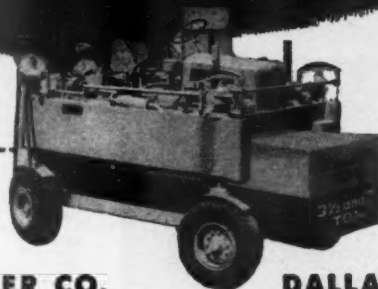
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	Sales	Profits
1930 ...	—	\$ 52,971
1931 ...	—	D170,589
1932 ...	—	D190,773
1933-35 .	no reports	
1936 ...	\$2,769,797	193,981
1937 ...	4,513,685	154,048
1938 ...	1,597,685	D111,561
1939 ...	2,776,476	108,189
1940 ...	4,502,920	162,625
1941 ...	9,696,905	309,774
1942 ...	18,978,246	393,852
1943 ...	49,119,362	789,087
1944 ...	32,872,654	370,586
1945 ...	49,405,548	704,273
1946 ...	19,419,743	678,014
1947 ...	30,498,342	1,205,400

D—Deficit.

Drydock Co. to operate Navy-owned facilities. Pacific Car soon bought the Everett common stock at book value. The facilities remain Navy-owned; they are operated by what is now the Everett Pacific Division of Pacific Car.

Armorplate was in the company's line, too. Pacific Car metallurgists, working with Carcometal, developed a process for casting armorplate. Besides cutting the time for heat treatment from 72 hours to 8½ hours, the new process made a stronger product and saved material.

The company was the sole builder of the Army tank retriever, a huge machine that could pull a 40-ton load up a 30% grade. It also produced the M-4 General Sherman tank. Its price for this tank, Army Ordnance officials told the company, was the lowest of a half-dozen manufacturers.

• **Rear Organization**—Midway in the war Pigott put through an inevitable financial reorganization. The small amount of Class A \$6 preferred, which represented the preferred stock outstanding when American Car bought control in 1924, was exchanged for a new preferred and has since been retired. Class B \$7 preferred, which the old common stockholders received from American Car, was turned into a new common stock, wiping out nearly \$90 in dividend arrearages. The common issued when American Car bought control (owned largely by Pigott at the time of reorganization) was canceled.

Two years later the new common was split 10 for one.

• **Kenworth Deal**—In 1945 Pigott made his biggest purchase—the 30-year-old Kenworth Motor Truck Corp. of Seattle. (The death of Philip Johnson, president of Kenworth and of Boeing Airplane Co., had left Kenworth's management in the hands of a trust.)

Kenworth rounded out Pacific Car's

line of heavy transportation equipment. Last year when Pacific Car's sales totaled a bit over \$30-million, Kenworth accounted for about 40%. During the first three years of operation under Pacific Car, Kenworth's net income came to somewhat more than the purchase price. But Pacific Car has taken no dividends from Kenworth; earnings have been plowed back.

• **A Leader**—Kenworth builds heavy duty trucks to specifications of individual buyers. The field of heavy-duty trucks is small, somewhere between 1% and 2% of total truck production in the U. S. (BW—Nov. 29 '47, p. 28). In that narrow field, Kenworth rates as one of the major producers and a leader in the Far West. Last year its output approached 1,000 units.

Engineering and research are the key to Kenworth's operation, for building heavy-duty, special-purpose trucks is not just a matter of increasing the size of tires, springs, axles, and engine but of creating a new design from the road up. Sometimes even component parts of outside suppliers are redesigned. Trucks built this way are not cheap; but, properly designed for a job, they are economical.

• **Industrial Organization**—Backing up Pacific Car's expansion is a growing industrial organization. Research and engineering have paced that growth. Now 6% of the total payroll goes to employees in engineering and development.

Throughout Pacific Car, factory know-how rates high. Supervisors are seldom brought in from the outside. They are trained in the shop, and they generally remain with the company for years. Some of the most difficult jobs done were the result not just of engineering and laboratory research but of production savvy in the shops as well.

• **Profits Retained**—Like many another manufacturer, Pacific Car has been pressed for adequate working capital to carry an increasing volume of business. This has meant that the company has had to plow back a big share of its earnings. Last year, net profits came to a record \$1.2-million. But only \$177,562 of this went for dividends and retirement of preferred stock.

• **Looking Ahead**—Meanwhile, product development proceeds.

"We are never through with diversification as long as there is need for products which our engineers can develop and which our plants can turn out," says Pigott. "As you develop and become known, and as your engineers gain experience that perhaps no other organization can match, you're called in more and more on special transportation problems."

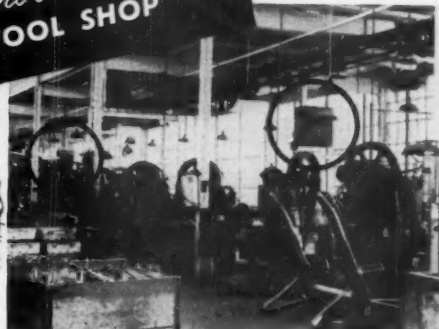
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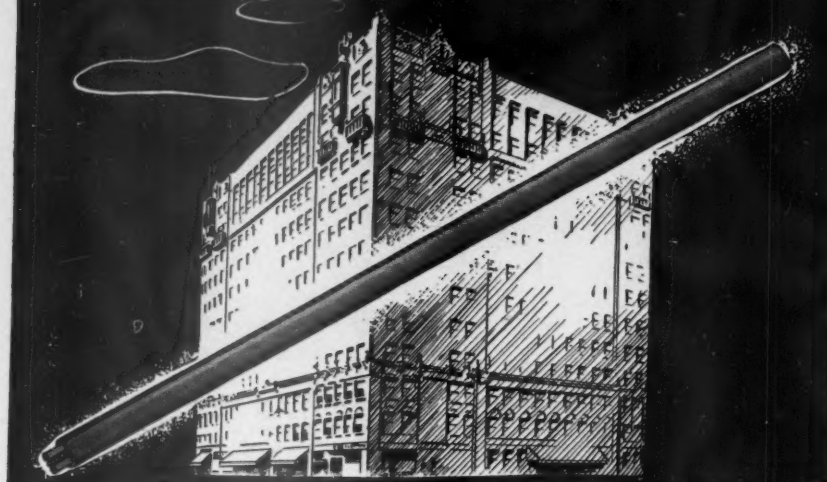
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Easy Credit Curbs

Revised Regulation W hits only a few hard goods, bank loans. Payment period ranges from 15 to 18 months.

Consumer credit regulations under the new anti-inflation program won't be tough. True, many retailers will have to tighten up their terms. But last week, when the Federal Reserve Board took the wraps off its revised version of Regulation W, most men doing credit business found it milder than they had expected.

● **Provisions**—The new regulation goes into effect Sept. 20. Here is what it provides:

Coverage—Only a short list of consumer durable goods is included now (though more could be added later). Purchases under \$50 and over \$5,000 are exempt. The top limit under the old Regulation W, which expired last November, was \$2,000.

Down payment—33½% for automobiles; 20% for stoves, dishwashers, ironers, refrigerators, washing machines, room air conditioners, radio and television sets, phonographs, sewing machines, vacuum cleaners, rugs and furniture. This is the entire list.

Terms—Credits under \$1,000 must be paid off within 15 months. Credits over \$1,000 can go 18 months. But the minimum monthly payment on an 18-month basis must be \$70.

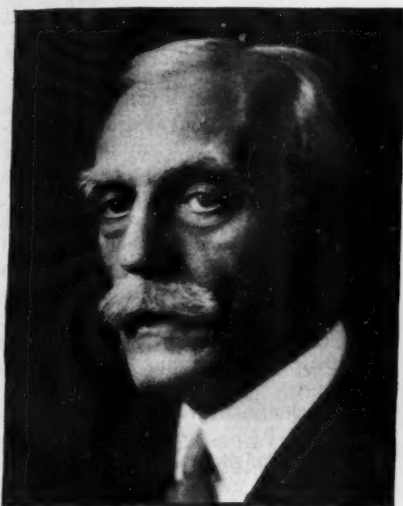
Charge accounts are not covered by the new order. Neither are goods not specifically listed. Notable omissions from the list are jewelry and furs; evidently the board figures the excise tax on them is brake enough.

● **Bank Loans, Too**—Installment loans made by banks are subject to the same regulation as retail credit. If the money is to be used to buy listed items, the bank can't lend more than the difference between purchase price and the required down payment. If the loan is to be used to buy unlisted goods, it still has to be repaid within the 15-month- or 18-month-limit. Various kinds of loans—payment of medical expenses, for example—are exempt.

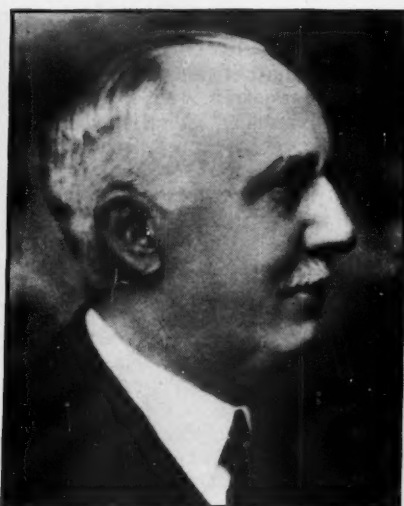
Loans for home improvement are also exempt for the present. But the board is thinking of bringing them under the regulation. It will hold public hearings on this subject later.

● **Penalties**—The board can punish violators by fine or prison. As alternatives it can (1) hold hearings to revoke licenses; (2) start a civil action, requesting a court to enjoin a person from violating the regulation; and (3) make contracts unenforceable if they fail to conform to the new regulations.

FINANCE



BANKER Andrew W. Mellon, Secretary of the Treasury from 1921 to 1929, and...



HIS BROTHER, Richard B., left the family banking enterprises to...



PRESENT CHAIRMAN Richard K. Mellon, expansion-minded son of Richard B.

The Mellon Family Bank: How Big Will It Get?

With total resources of \$1.3-billion, Pittsburgh's Mellon National Bank is branching out. Only limits are imposed by law.

When a bank suddenly starts expanding at the rate of more than one new branch a month, financial circles sit up and take notice. And when the bank is Pittsburgh's Mellon National Bank & Trust Co.—Pennsylvania's largest—the phenomenon is even more startling.

During the last 12 months, Mellon National, already a giant, has made rapid-fire purchases of 16 neighboring banks. The banking world is asking: Where are Board Chairman Richard K. Mellon and his bank heading?

• **Only Territorial Limits**—Territorially speaking, the answer is: Not very far. Pennsylvania law provides that a bank may have branches only in its home and adjoining counties. Thus, the geographical limits of the fast-stepping Mellon National Bank & Trust Co. are defined.

But, so far, there's nothing to stop the Mellon banking empire from fortifying its position as a billion-dollar institution in a five-county area (Allegheny, surrounded by Beaver, Butler, Washington, and Westmoreland) in the western part of the state. With its recent acquisitions, it now has 20 branches in the area—plus two downtown offices in Pittsburgh.

• **Still Growing**—That Mellon National is headed for even greater growth is a foregone conclusion—provided passage of a restrictive new branch-banking law doesn't someday upset the applecart.

The geographical spread of present offices is unbalanced—even though one

more new bank is now in process of becoming a branch.

• **Early Days**—The Mellons have been leaders in Pittsburgh commercial banking for two generations. Their bank won eminence under Andrew W. Mellon (Secretary of the Treasury from 1921 to 1929), and his brother, Richard B. Mellon. When they died, they left the reins in the hands of Richard K., the son of Richard B. Paul, the son of Andrew, lives in Virginia and stays away from the Pittsburgh industrial scene. He is not even a director of the bank.

But long before the Mellon brothers took over, their father, Judge Thomas Mellon, planted the acorn from which today's sturdy financial oak has grown. He established the private banking firm of T. Mellon & Sons in Pittsburgh in 1869. When his sons organized the Mellon National Bank in 1902, they were merely marking the nationalization under federal banking laws of an already potent family banking business.

• **Mellbank Corp.**—Preparations for a Mellon branch banking system that would cover a major portion of western Pennsylvania were first made in the lush 1920's by the Richard B. Mellon side of the family. They formed Mellbank Corp., a private holding company directed by Richard K. At its peak, Mellbank had assorted interests in 18 banks.

These banks were pillars of strength

in their respective communities during the dark years of the 1930's, and the system was content to maintain its position. In fact, Mellbank pared down its interest in these banks to 16 institutions.

Mellbank was kept a separate entity. It had no corporate ties with Union Trust Co. At that time, Union was the controlling unit in the Pittsburgh Mellon institutions. It owned a dominant stock interest in Mellon National.

• **Union Trust Merger**—The present dynamic era of the bank's expansion started in September, 1946. Union Trust Co. then merged with the Mellon National Bank to form the Mellon National Bank & Trust Co. Richard K. Mellon was named its policymaker.

Union Trust Co., which had been top-dog in the Mellon banking empire for many years, wasn't organized to be a bank. Nor did the Mellon interests control it at the start—though they were listed among its founders in the late 1880's.

It started out to handle stock transfers, and the like. But its charter was soon changed to include commercial banking, and before long the Mellons got control. Long before it merged with Mellon National, it had grown into one of the most powerful of Pennsylvania banks. The Mellons built up its deposits, but even more successful was their development of its trust business. When it merged, its trust department was rated among the biggest in the banking field.

• **Results**—The result of the merger was one of the nation's largest financial insti-

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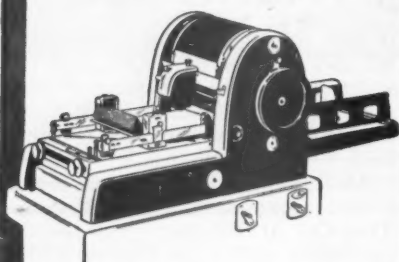
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tutions. Only four other banks can beat Mellon National Bank & Trust in size of capital funds. At mid-1948, moreover, only 14 could boast of greater deposits, only 12 of more resources.

It took almost a year for the new bank to adjust itself to smooth operations. Headquarters were at the Mellon National building; a second main office was in the Union Trust building just a half city block away. There was one branch in suburban East Liberty. Another, in the Frick building, across from the Union Trust office, was superfluous and was wound up.

• **Pattern Set**—By that time, the Mellons had decided on a policy of branch banking. Acquisitions followed one general method: The first new offices were nonaffiliates of either Mellon National or Mellbank Corp. They became branches (with original staffs virtually intact) simply by selling their bank buildings to the Mellon National, while they went into liquidation.

The same pattern of liquidation was followed when Mellon National began to take the first of the Mellbank Corp. institutions into its fold.

Including the one now in process of conversion, there are seven Mellbank institutions left, all outside Allegheny County. Two of these can't become Mellon National branches because they lie beyond contiguous counties.

• **Big Affiliate**—Mellon National also directly controls, through 90% stock ownership, Pittsburgh's Farmers Deposit National Bank. That institution recently showed \$187-million resources, \$163-million of deposits, and capital funds totaling almost \$21-million.

So far, there has been no sign that Mellon National is considering absorbing this large affiliate. Whether this is in the cards, no outsider knows. Under existing federal laws, however, a national bank may not own stock of another bank. The Mellon interests will have to decide what course to follow by 1951, since Mellon National Bank & Trust can hold the shares itself for only five years after its incorporation.

As the process of assimilation goes on, the big Mellon bank will concentrate on locating branches in important areas that it has missed so far. It has no branch now, for instance, on the south side of Pittsburgh.

There are 13 branches in Allegheny County, five in Butler County and one each in Westmoreland and Washington Counties. The one coming up is also in Washington County. There are no immediate prospects in Beaver County.

• **New Job**—This trend to neighborhood branches in smaller communities has brought responsibilities that are new to the sprawling giant. Mellon National is rich in experience of handling a big commercial and trust business. Now it is after a different type of business and

is dealing with a community-bank type of clientele. This had led Mellon to set up services for the smaller customer—making personal loans, and selling 20 checks for \$2. Result: It's doing business with a broader slice of the populace than ever before in its history.

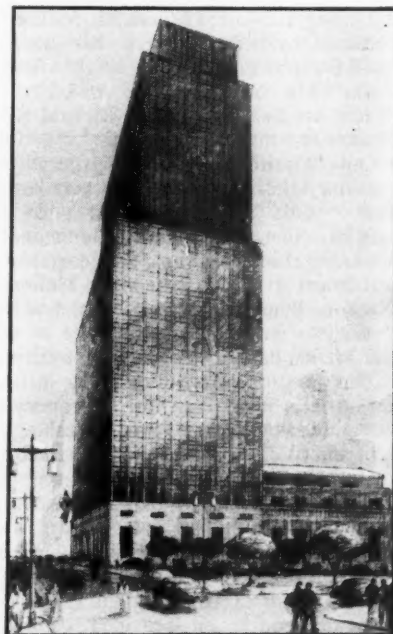
So that each branch can serve all income groups, it has an advisory committee of local business interests. The committee will help slant the business to the requirements of the community.

• **Management**—The man who bosses the activities of the branches—as well as the multitudinous affairs of the main offices—is Frank R. Denton, operating head of the system. He is a one-time bank examiner, who holds the office of vice-chairman. Lawrence N. Murray is president.

The chairman, vice-chairman, president, and Ralph S. Euler, senior vice-president, are general officers.

It looks as though Denton had been earmarked for his present job long ago. Originally, he was the managing head of Mellbank Corp. Later, he was president of Mellon Securities Corp., underwriting house controlled by the Mellon group. When First Boston Corp. merged with Mellon Securities (BW—Jun. 22 '46, p47), it absorbed most of the underwriting house's personnel. Denton was a lone exception. That was apparently because Richard K. Mellon had other plans for him.

• **Other Plans**—Other proposals for Mellon National's expansion are just now in process of unfolding. They include a 40-story office building (picture, below). It will be built on half of the



PROPOSED OFFICE BUILDING would tower above present main office of Pittsburgh's Mellon National Bank (right)

city block adjoining the present main banking office at Fifth Avenue and Smithfield Street. The facilities at the Union Trust office then would move to the lower floors of the new office building; subsidiaries of U. S. Steel Corp. in Pittsburgh would take over the upper part.

Tied in with this building program, rumored in some quarters to be a joint undertaking with Big Steel, is a plan for an underground garage. It would be in the next city block to the north. Above the garage would be a park. Directly across from the park, plans call for an office building and headquarters of Aluminum Co. of America, also Mellon-controlled.

• **Funds at Work**—Mellon National's policy is to keep a good share of its funds constantly employed and earning a return. Some 40% of its June 30 total of resources, which added up to close to \$1.3-billion, was invested in government securities. More than 27% was in customer loans and discounts. Only 22% of resources was in cash that produced no income for stockholders.

The management, however, keeps a careful eye on the safety of its customers' balances. At midyear 74% of all its deposits was comprised of such "riskless holdings" as cash and government obligations. This compares with a ratio of 68% for the nation's five largest banks at that time.

Bank premises are carried on Mellon National's books at a valuation of only \$7.6-million. Included in this sum is the Union Trust Building, which is likely to be sold when the bank addition is completed. Local opinion is that the bank's real estate holdings are undervalued.

• **Financial Position**—Reserves at mid-year totaled some \$28.1-million. Capital funds added up to over \$170.3-million, including surplus of \$90-million and undivided profits of \$20.2-million.

Mellon National's deposit liability was then not quite \$1.1-billion, counting time deposits of \$160-million. And each \$6.34 of deposits was covered by \$1 of capital funds. That's a most favorable capital-deposit ratio; few of the nation's leading banks come anywhere near matching it. Even before the war greatly inflated bank assets, a 10-for-1 ratio was considered most satisfactory. Lately the national capital-deposit ratio has been running well above 14-for-1 (BW-Oct. 25 '47, p82).

• **Money Maker**—In point of earnings, Mellon National has to be rated as a good performer, even when you compare its showing with that of the Big Three of Mellon-controlled industrial companies: Gulf Oil Corp., Aluminum Co. of America, and Koppers Co. Mellon National's profits last year were \$16 a share. And its \$100-par stock is now quoted at close to \$300 a share.

From washday blues...

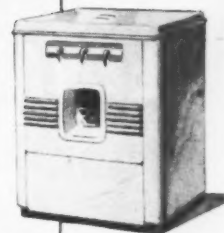


to MONDAY MATINEE

Early attempts to lighten woman's Monday chores produced some strange and wonderful contraptions. Good or bad, all shared a common failing—they depended on muscle-power.

Today's automatic washing machine frees the housewife from one of her most tiresome tasks. Other modern helpers, too—automatic ranges and dish-washers, self-defrosting refrigerators—play their part in sparing strength... adding to leisure time. Complicated assemblies all, their development has been speeded by the creation of numerous special fastening devices. Some of those we are currently supplying to the appliance industry are shown at the right.

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LIFTS and ELEVATORS



New Bosses for the New Haven R. R.

The coup of Frederick C. Dumaine, 82-year-old Boston financier in getting control of the New York, New Haven & Hartford R. R. (BW-Jul.24'48,p80) has become official with the election of a new board of directors. Only five of the 16 members are holdovers. Here, left to right, are 13 of the 16: seated, Morgan B. Brainard, Hartford, Conn.; Dumaine; Charles

Francis Adams, Boston; standing, Milton P. Higgins, Worcester, Mass.; Charles P. Boyce, Baltimore; William B. Snow, Jr., Boston; Hermon J. Wells, Hamden, Conn.; Rupert C. Thompson, Jr., Providence; John L. Hall, Boston; Russell Makepeace, Wareham, Mass.; Edward F. Williams, Maynard, Mass.; Harvey D. Gibson, New York; and Frederick S. Blackall, Woonsocket, R. I.

Packard Stock Plan

"Reverse" split-up of 15-million shares would help unwieldy capitalization. Move may be forerunner of a merger.

Packard Motor Car Co. is about to take steps to cut drastically the 15-million shares of capital stock it has long had outstanding. This week its directors were considering a "reverse" split-up to turn the trick.

• **The Plan**—The plan is to exchange one share of new stock for either three or five shares of old—it hasn't been decided which. President George T. Christopher thinks that within 90 days definite proposals will be ready to present to stockholders.

Packard now has the second-biggest number of shares in the auto industry. Only huge General Motors Corp., with 44-million shares of common stock outstanding, has more. And, at the end of 1947, Packard had 118,625 stockholders listed on its books; in the auto trade, only C. M. topped this (with 425,657).

• **1929 Hangover**—Packard's unwieldy capitalization stems directly from the over-optimism of 1929. In that year, Packard stock soared to \$161.50 a share.

The company figured that at such levels (almost triple its 1928 low), the issue had moved far out of reach of most stock buyers. So it broadened the market by splitting it on a 5-for-1 basis.

Result: By 1932, the new shares were selling for as little as \$1.50 each. Even in the 1942-46 bull market, the shares never rose above \$12.62. This year they have ranged between \$5.37 and \$4.12.

Wall Streeters would like to see Packard take its shares well out of the "cat-and-dog" class, as they call low-priced stocks. The reason is that in the past 20 years the stock has often sold for below \$5, thus lessening its value for loan purposes.

• **Merger?**—Some Wall Streeters (and some Detroiters) think that maybe there's another reason for the Packard stock move: possible merger with another auto company. None of the rumors of this kind in the past have become anything more than rumors, although they have always been based on pretty solid ground.

That was particularly true last year in the case of the Packard-Nash merger stories (BW-Dec.27'47,p59). The one big factor against them has always been how to make an exchange of stock look appealing to Packard stockholders in view of the huge number of outstanding shares. With fewer Packard shares involved, the stockholders could be offered

more new securities in trade for their Packard holdings.

• **Packard's Purchases**—According to Christopher, Packard has recently bought some 60,000 shares of its own stock, plans to buy another 40,000 soon. The reason for this, he says, is that it will keep stock available in the treasury. Thus, any stockholder who needs to bring his holdings up to amounts that could be divided evenly into the new shares can get it easily.

Also, the company purchase of its shares is designed to put the treasury into shape in case an incentive payment plan is set up for executives. Christopher pointed out that such stock bonus plans are common in industry. He particularly pointed out that a plan of this kind is now in operation at G. M.

• **Production Rises**—Packard's January-July, 1948, production amounted to 55,000 cars, Christopher reports. And it's quite possible that as many as 107,000 will be produced in 1948—a new high in Packard history. Its parts business looks just as good. It should exceed \$12-million in 1948, a volume five times greater than in prewar years.

Earnings have reflected these increases. Thus far, profits have been running at their highest rate since 1929. Profits after all charges through June, in fact, came to some \$6.2-million, compared with less than \$4-million reported for all of 1947. Nonetheless, the huge amount of stock outstanding held January-to-June earnings to only 41¢ a share.

Playboy Car Coming As Financing Succeeds

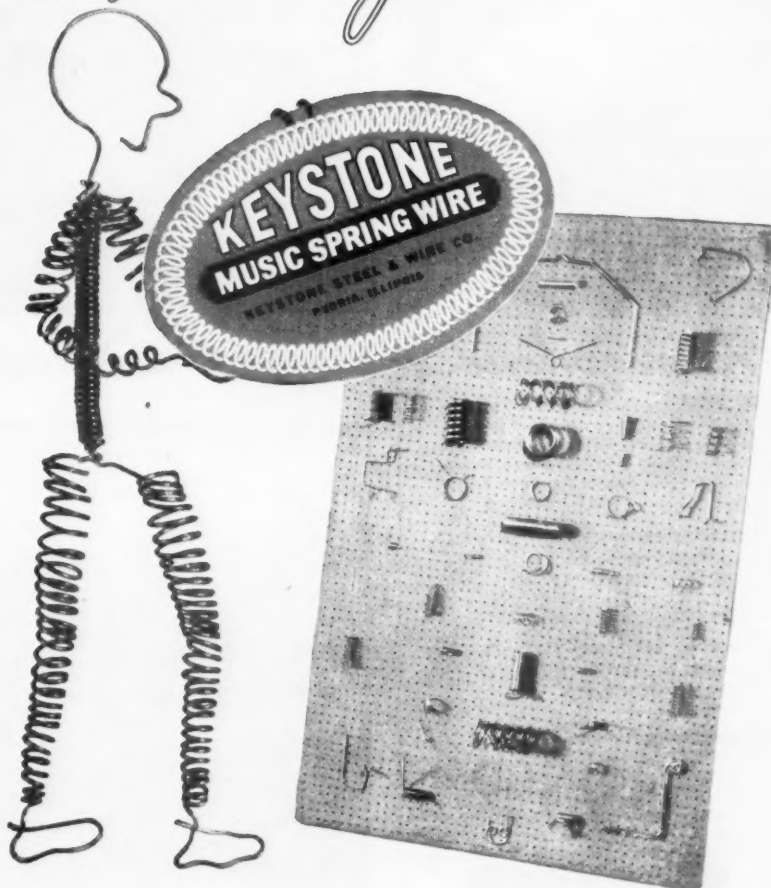
A brand-new automobile manufacturer, Playboy Motor Car Corp. of Tonawanda, N. Y., (near Buffalo) is slated to start active operations soon. The company is headed by a Buffalo used-car dealer, Lou Horwitz.

Through the sale of stock and dealer franchises, Playboy has now accumulated close to \$10-million of working capital, its officials reported last week. The company thinks that's enough to assure volume production of the new \$985 passenger car by early 1949.

Playboy's agent in the stock sale is Tellier & Co., Inc., one of Wall Street's smaller underwriting houses. By last week, Tellier had sold some 10.4-million of the 20-million shares of new stock that Playboy originally offered for sale at \$1 a share several months ago (BW—Jun. 5 '48, p87). Sales were all made on a "when, as, and if" basis. When proceeds are collected, they should net the company close to \$8.8-million after the payment of commissions (15¢ a share).

Dealer franchise sales are reported to have netted Playboy over \$1-million to date.

MUSIC Spring Wire



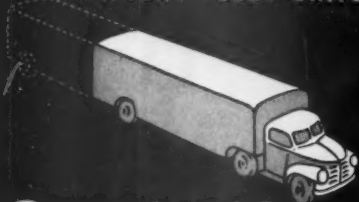
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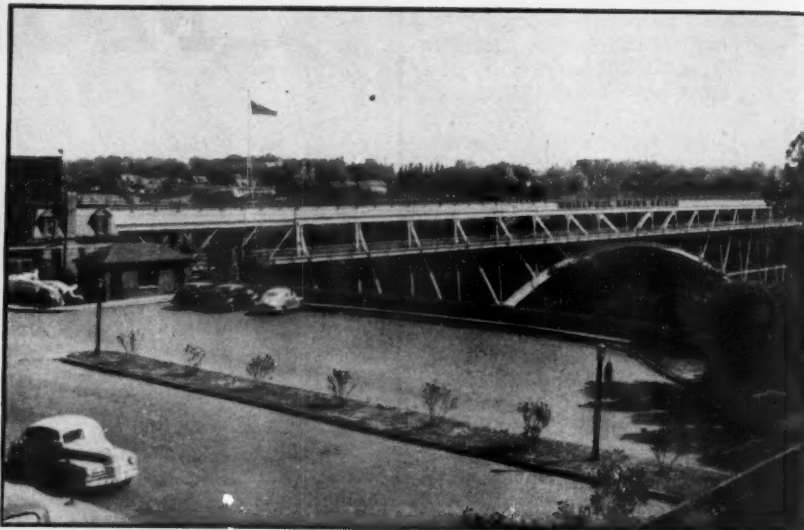
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PICTURE REPORT



Privately Owned Bridge Enterprise . . .



. . . Boasts a Century of Profit

The famous Whirlpool Rapids Bridge at Niagara Falls celebrated its 100th birthday anniversary this month with an extra dividend to its small group of stockholders. The privately owned span across the Niagara River gorge below the falls has been a regular earner since horse and buggy days. And the bridge management expects this year will show a peak in toll revenues. The previous record income year was 1938, just after the collapse of Honeymoon Bridge, Whirlpool's biggest competitor.

Twin companies have jointly managed the Whirlpool Bridge enterprise

since it was started in 1848. They are Niagara Lower Arch Bridge Co., Ltd., of Canada, and Niagara Falls International Bridge Co., of New York. The bridge carries both automobile and railroad traffic.

The first bridge at the Whirlpool site (lower picture) was an oak-plank roadway suspended from iron wire cables. Trains first chugged across Whirlpool Rapids in 1855 when the second bridge was built. The present span (top picture) was built around the old bridge in 1896 without interrupting the flow of rail traffic.

Rent Hikes

High operating costs have forced Metropolitan Life to up rents at Parkchester. It looks like a trend.

Rising costs once more are affecting the real estate operations of the life insurance companies.

• **Rent Hikes**—First it was the high cost of building. Last spring this forced the life companies to shelve new large-scale projects (BW—Jun. 5'48, p81).

Now it's higher operating and maintenance costs. These are whittling down returns on housing projects long since completed. So some life companies will hike the rents paid by their tenants.

• **Metropolitan Life**—One company already is starting to do this. Metropolitan Life Insurance Co., now the world's largest non-governmental landlord, has asked higher rents from the 12,300 families in its 129-acre, \$50-million Parkchester development in New York City.

Parkchester's operating and maintenance costs, says Metropolitan, have lately been as much as 80% over 1940. So Metropolitan is asking tenants to agree "voluntarily" to a 12% increase in rents, pointing out that this is the first proposed rate change in Parkchester history.

• **Leases Expire**—Most of the project's leases expire at the end of September, and Metropolitan has told tenants that it won't renew any at present rates. Those who accept the 12% boost must also sign up for three years.

But no one faces immediate eviction for failure to sign. Occupancy is guaranteed, for a time at least, by federal, city, and state rent-control laws.

• **Still Moderate**—Even with 12% tacked on, Parkchester's rents still look like a big bargain. Two-room apartments in Parkchester will still cost only \$36 to \$38 monthly. Three-room units will cost \$45 to \$58; four-room, \$58 to \$70; five-room, \$70 to \$80. Rentals will continue to include gas, electricity.

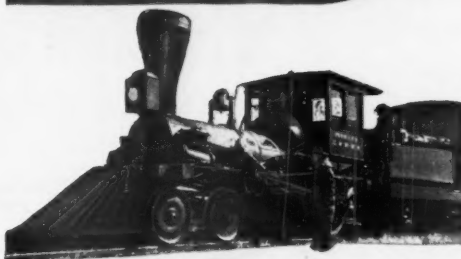
Last year high construction costs forced Metropolitan to up rents for two New York City housing projects. But the city granted permission to do so before any leases had been signed.

So the Parkchester hike marks Metropolitan's first effort to increase the rents of "tenants in occupancy."

• **More to Come?**—Reports indicate that higher maintenance and operating costs have lately been cutting down the company's income from its two big housing developments, at Los Angeles and San Francisco. No one would be much surprised to see Metropolitan raise the rents in the very near future.

MATERIAL HANDLING

News



1848

The Pioneer, first "iron horse" of the North Western Railroad. Affectionately preserved and still operative, this 100-year-old veteran of the rails symbolizes one of the greatest technological gifts to mankind—that of mechanizing the herculean task of overland hauling.



1927

In 1927 this fleet of 60 Clarkat towing tractors went on duty at the vast Proviso Freight Transfer Station of the North Western Railroad—saving time, cutting costs, increasing efficiency in freighthouse towing tasks.

Today, after 21 years of steady, punishing service, many of the original fleet of 60 are still on the job, still demonstrating the deep-seated quality and ruggedness of Clark construction.



1948

A replacement program is on its way—last year 15 new Clarkats were put into service at North Western's Proviso Freight Transfer Station.

Gas-powered Clarkat towing tractors are available with pneumatic or solid tires in two models—Clarkat-20 with drawbar pull of 2000 lbs., towing capacity 42 tons, and Clarkat-26 with drawbar pull of 2600 lbs., towing capacity 58 tons.

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100 YEARS OF HAULING HISTORY

This year marks the 100th Anniversary of the Chicago and North Western Railway Co. Together with the nation's other great transportation systems the North Western is now unfolding its life story at Chicago's lakefront Fair.

It is significant that many of these great systems, all recognized masters at long-range hauling, depend upon Clark fork trucks and towing tractors for the myriad short-range hauling jobs within their systems.

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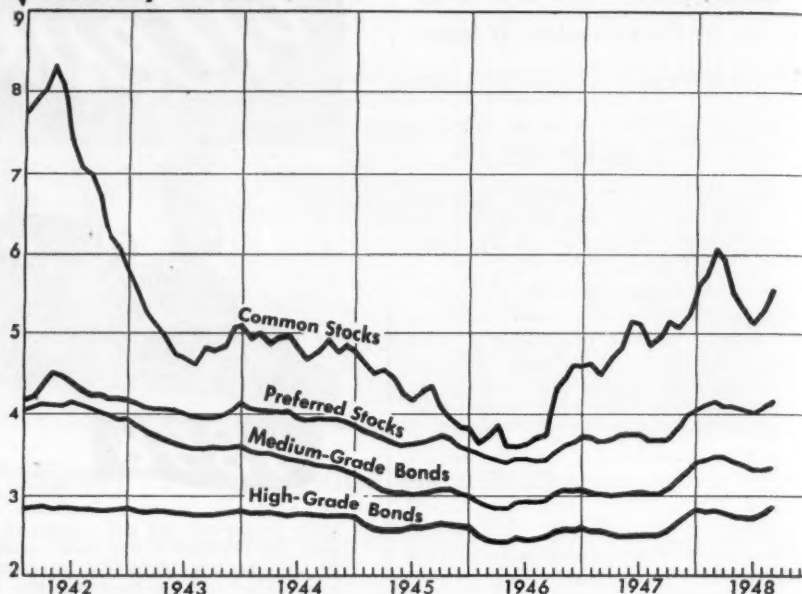
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THE MARKETS

Security Yields in percent

Data: Standard & Poor's Corp.
© BUSINESS WEEK



Effects of Tighter Money

Corporate borrowing is going to be a little more expensive. Yields on securities turn up, which means that prices slide off. This has been more marked in corporate issues than in governments.

From now on, it's going to cost your corporation a bit more to borrow money than it has for some time past.

Developments this week and last in the money market made this clear. There are two main causes: (1) the Treasury's boost in interest rates on its certificates, and (2) the Federal Reserve's hike on the rediscount rate.

• **Results**—Here's what has followed this governmental action to tighten credit a little:

Most of the large New York City banks have hiked their going rate on prime short-term commercial loans from $1\frac{1}{2}\%$ to 2% . (That's the second boost in the last eight months. Late in 1947 the going rate for such loans was only $1\frac{1}{2}\%$.)

Manhattan bank rates on call loans have been jacked up for the first time since 1946. They are now costing $1\frac{1}{2}\%$ instead of $1\frac{1}{4}\%$. Rates have been raised from $1\frac{1}{4}\%$ to $1\frac{1}{2}\%$ on bankers acceptances, from $1\frac{1}{4}\%$ to $1\frac{1}{2}\%$ on short-term advances to brokers and dealers secured by government obligations, and from $1\frac{1}{4}\%$ to $1\frac{1}{2}\%$ on longer-term dealer loans.

In the commercial paper market, prime paper now carries a $1\frac{1}{2}\%$ rate;

before, the prevailing rate was $1\frac{1}{4}\%$. Less-well-known paper affords buyers a $1\frac{3}{4}\%$ return instead of $1\frac{1}{2}\%$ as formerly.

• **Effects on Securities**—Obviously, this general upping of corporate loan rates (which has not been just confined to New York) has been felt in the security markets (chart). When money rates go up, security prices tend to go down. But the market reaction hasn't been at all violent, so far. Here's what has happened to yields (using as yardsticks Standard & Poor's yield averages, which move inversely to prices):

High-grade corporate bonds now offer

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	157.7	156.9	160.3	148.6
Railroad	49.4	48.2	49.9	42.2
Utility	70.8	70.7	72.1	75.4
Bonds				
Industrial	97.7	98.0	99.3	103.3
Railroad	86.3	86.3	88.8	88.6
Utility	95.2	95.0	95.0	103.4

Data: Standard & Poor's Corp.

a yield of 2.84%, or only 10 basis points more than in June.

Medium-grade corporates have risen only from 3.32% in June to 3.34%.

• **Spread Widening**—There's a market trend in recent weeks of significance: Yields of corporate issues have been rising more rapidly than those of long-term governments. (In other words, prices of corporates have inched down relatively more than those of govern-

ments.) That's been particularly true in medium-grade corporates.

Many Wall Streeters think the spread is still too narrow between medium-grade corporates and governments. Thus, more than ever, the Street is advising investors to upgrade their bond portfolios—and to confine purchases in the new-issues market to carefully selected, high-grade bonds offered at some price concession.

What's Happening to Tobacco Profits

	Earnings per Share of Common Stock				First Six Months	
	1936-39 High	Low	1946	1947	1947	1948
American Tobacco	\$5.12	\$3.71	\$5.96	\$5.70	\$2.69	\$2.55
Liggett & Myers	7.25	6.09	5.39	6.83	3.07	3.59
P. Lorillard	1.78	1.42	1.26	2.15	N.A.	N.A.
Philip Morris	3.75	1.93	*2.05	*2.60	N.A.	N.A.
R. J. Reynolds	2.93	2.37	2.62	3.04	N.A.	N.A.

N. A.—Not available. * Years ended Mar. 31, 1947, and 1948.

Last month the cigarette industry's Big Five bumped prices up 35¢ per 1,000—the sharpest rise since 1934. (At retail, the boost was 1¢ a package, sometimes more.)

Last week, Standard & Poor's weekly index of tobacco-stock prices hit a new 1948 high. But that high wasn't up in the stratosphere; it was only 8% above the 1948 low.

• **Background**—Behind these developments lie (1) a tremendous increase in costs; (2) a huge gain in gross sales; and (3) a long reluctance to boost prices (for fear of losing volume). The result has been an uncomfortable squeeze on profits. Not that profits have been niggardly (table above); the point is that they haven't risen enough to keep pace with the jump in costs of doing business.

Last year's sales of the Big Five—American Tobacco, Liggett & Myers, Lorillard, Philip Morris, and R. J. Reynolds—added up to \$2.3-billion, a new record. This was a gain of 131% from 1940's \$1-billion volume. Relatively little of this gain in gross percolated through to net income. The group's total profit in 1947 was only \$15.6-million, or 18%, larger than 1940's \$84.7-million.

Here's why: Cigarette prices were upped only 18% from 1940 to 1947, while operating costs rose much more. So the Big Five's average profit margin shrank sharply (from 23.2% to 14.9%).

• **Tobacco Costs**—The most important expense in making cigarettes is leaf tobacco. Its price comes to 70% of all manufacturing costs. This means that a fluctuation of 5% in average tobacco costs represents the equivalent (before taxes and interest) of almost 9¢ per 1,000 of finished cigarettes.

Few commodities have risen more sharply since 1940 than the two types of tobacco which make up about 85%

of the average cigarette blend. Flue-cured leaf, obtainable for around 16¢ a lb. in 1940, cost the trade 41¢ last year. For burley, the 1947 cost was about 48¢ vs. 16.2¢ in 1940.

• **Inventory Costs**—These rising costs have meant more than a pinch on cigarette companies' profit margins. They have made it necessary to tie up a lot more money in inventory. Big Five inventories were nearly \$1.4-billion in 1947, only \$500-million in 1940.

To handle this load the five companies have had to get a considerable amount of new working capital. Since 1940 they have sold \$120-million of new preferred and common stock. But most of the money had to be borrowed. At the end of 1947, the Big Five's total of bank loans and long-term debt outstanding was nearly \$600-million more than at the 1940 year end.

The trade's recent dividend policy has been conservative, too (many dividends last year ran under their 1940 level). But despite borrowing and retention of profits, cash holdings have increased only slightly: At the close of 1947, the Big Five's total cash came to only 14% of current liabilities; in 1940 the ratio was 52%.

• **Future**—Last month's cigarette price boost should give 1948 profits some lift.

But it's hard to tell just how much of this price increase can be carried through to earnings. For one thing, leaf tobacco costs now seem to be swinging up again, after holding about steady during the last two selling seasons.

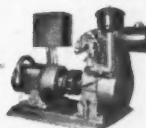
Wall Street followers of the industry hope that at least half the price raise can be retained by the Big Five. On the other hand, the moderate size of the recent tobacco stock price rise seems to indicate that the people who buy shares aren't so hopeful.

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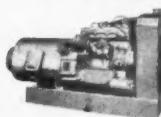
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... IN MY HOME



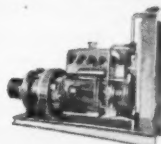
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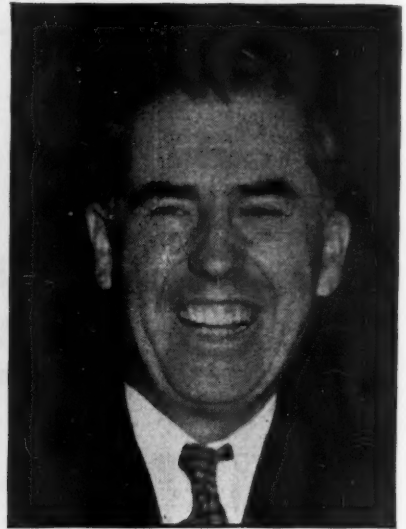
LABOR



TRUMAN has C. I. O. strength



DEWEY will get many A. F. L. votes



WALLACE is losing labor support

Which Candidate Is Labor Voting For?

C.I.O.'s expected nod to Truman bolsters Democratic hopes. A. F. L., divided, probably won't get behind any nominee solidly.

Presidential candidates this week began to get a clearer idea of how they stand with labor.

Washington is famous for not keeping secrets. The latest is that the C.I.O. is going to endorse Truman for re-election. It won't be official until next week.

• **Rumor Flurry**—Because it had more substance, that news topped other rumors that:

• A.F.L. also will endorse—or at least strongly support without an actual endorsement—President Truman.

• Republicans can count on some substantial backing from A.F.L., whether or not the federation officially endorses the Democratic ticket.

• Henry Wallace's Progressive Party may lose some of its labor support.

• **C.I.O.'s Stand**—C.I.O. backing of Truman was written all over a statement given out by President Philip Murray following a meeting of the organization's vice-presidents. The declaration (approved by an 8-1 vote) did everything but endorse Truman by name. It lambasted the 80th Congress, the "do nothing" Republicans, the "bigoted" Dixiecrats, and Wallace. The Progressive Party, said the C.I.O. vice-presidents, "offers nothing but division and defeat to progressive Americans."

On the other hand, the group praised as "significant" the Democratic platform's civil rights program. It hailed the pledge to work for repeal of the Taft-Hartley act, and to liberalize the wage-

hour act. The C.I.O. statement deplored the "failure" of the Republican platform on these issues.

The group said that actual endorsement of Truman was a matter on which the 51-member executive board would have to act next week. There's no doubt what its decision will be: All-out support for Truman and for Liberal Democratic candidates.

• **Dissenters**—The decision will not be unanimous—just as the vice-presidents didn't agree 100%. Their 8-1 vote was a right-wing vs. left-wing ballot. The lone dissenter—and the one remaining left-winger in C.I.O.'s top brass—was Albert J. Fitzgerald. He is president of the leftist United Electrical, Radio & Machine Workers, and chairman of the Progressive Party labor committee.

The executive-council vote next week will follow similar left-wing vs. right-wing lines. The last time the council split (on the third party and Marshall Plan issues) the vote was 33-11 against the left.

• **The Question**—Politically, the big question now is: What will C.I.O. endorsement do for Truman?

The real strength of C.I.O.'s Political Action Committee is hard to assess. P.A.C. got off to a slow start, mainly because union leaders weren't Truman enthusiasts. They didn't think he had enough stature as a leader to rally labor votes (BW-Jul.3'48,p64). But now P.A.C. is gathering momentum, and

Truman's recent actions have given him something of a "new look" in the eyes of labor.

• **Potentials**—Here's what C.I.O. endorsement of Truman could mean:

(1) Mobilization of a volunteer campaign force—C.I.O. says "a million block workers"—to see that prospective voters register, know the election issues, and go to the polls in November.

(2) Strong pro-Truman campaigns in union communities. These would take shape as public rallies against living costs, housing shortages, and the T-H act—all to be blamed on the Republican party.

(3) As much advertising and financial help as the union can give without violating the T-H curbs on union political activities.

Washington political observers don't agree at all on the final outcome of C.I.O. all-out backing for Truman. They do agree on this: It's bound to help at a time when the party needs help badly.

• **Progressive Splinter**—Regardless of what C.I.O. decides officially, left-wing unions aren't bound to comply. They still can form the backbone support of the Progressive Party. But mention of some top Progressive Party leaders in recent espionage investigations in Washington has stirred many unionists. Some minor union defections from the Wallace party have followed. C.I.O.-P.A.C. is readying a pamphlet blast at the Progressives; it expects to splinter off some important chunks of Wallace's backing. Besides, C.I.O. is planning a direct appeal to members of its left-wing

unions, to urge them to vote for Truman—and to pay no attention to political advice from leaders friendly to the Communists.

• **No A.F.L. Candidate?**—A.F.L.'s executive council, meeting in Chicago this week, was undecided at midweek about an outright endorsement of anybody. It's a good bet that A.F.L. won't make a forthright declaration—it usually doesn't go on record for any presidential candidate.

This year, there's been a little more than usual in the way of a demand for an endorsement—for Truman.

• **Pro-Republican**—But there's a strong Republican block in A.F.L. that doesn't sway easily. It objected to federation President William Green's off-the-cuff statement, after the Republican convention in Philadelphia, that organized labor wouldn't vote for Dewey. William Hutcheson, president of the A.F.L. Carpenters and a lifelong Republican, is expected to do what he can to get his men into the Dewey camp. And the New York governor has strong support in the leadership and rank-and-file of his home state's A.F.L.

• **On the Fence**—Another A.F.L. political stalwart, Daniel Tobin, president of the Teamsters, is unusually close-mouthed this year about his plans. A staunch Roosevelt backer for many years—and twice a prospective nominee for the job of Secretary of Labor—Tobin now says he won't tell whether he is riding on a donkey or an elephant until after a Teamsters conference in September.

• **Lewis**—As usual, John L. Lewis is expected to be on the Republican side—though the Democrats hope to get a lot of rank-and-file miners' votes. But Lewis to date has said nothing official about his political position.

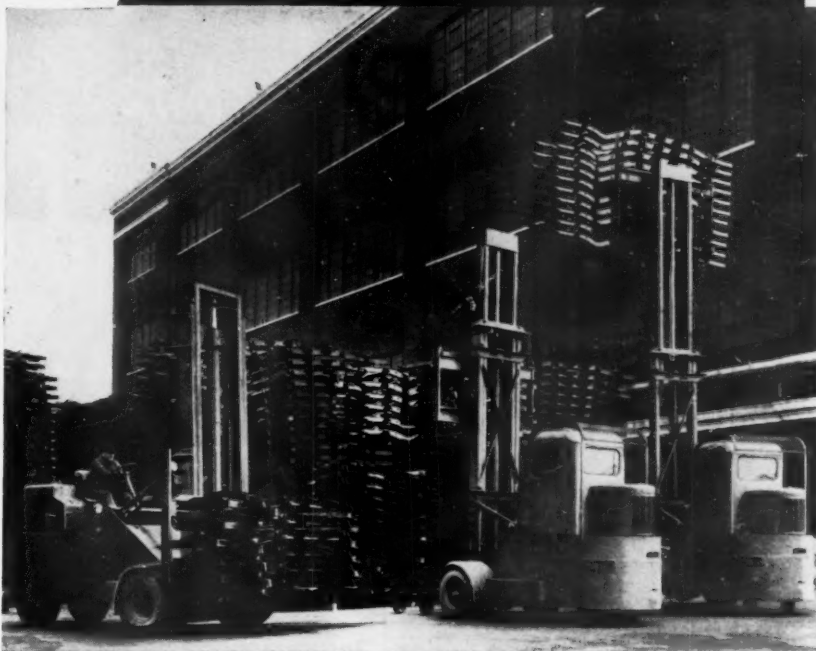
HARVESTER STRIKE

A strike of 24,000 members of the United Auto Workers (C.I.O.) kept six International Harvester Co. plants closed this week. The workers walked out Aug. 17—after contract talks deadlocked on grievance, time-study, apprenticeship, and arbitration clauses. Wages were not an issue. Harvester agreed last June to raise hourly pay 11¢.

Plants closed by the walkout: the Melrose Park Works, near Chicago, and factories in Evansville, Indianapolis, and Fort Wayne, Ind., Springfield, Ohio, and Memphis. Other Harvester plants, under contract with U.A.W.'s rival in the agricultural implements field—the Farm Equipment Workers (C.I.O.), continued producing. The company warned that shutdowns might be necessary in these, beginning next week, if the impasse with U.A.W. isn't broken in new discussions with the union this week end.

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PRINTERS' PRESIDENT Woodruff Randolph gets union's backing for his position that

I. T. U. Won't Recognize the T-H Law

Opposition within union to Randolph's stand is stilled temporarily by delegates to 90th annual convention in Milwaukee.

The organized printers, who belong to the nation's oldest major union, have reaffirmed resistance to the Taft-Hartley law. They have pledged the International Typographical Union (A.F.L.) to a continuing fight for "true collective bargaining."

• **Opposition Stilled**—The decision was made last week at I.T.U.'s 90th convention, in Milwaukee. Its immediate meaning: The union can stiffen its front in the bitter, unrelenting battle which has been going on with the nation's publishers for nine months (BW—Dec. 6'47, p114).

At least temporarily, the decision put down the opposition to the T-H and strike policies of president Woodruff Randolph and fellow leaders.

• **Biggest Beef**—I.T.U.'s biggest beef against the T-H law is that it knocks out the printers' traditional closed-shop contracts. This has been the major issue in most of the I.T.U. strikes which have boiled up in the post-T-H period. The big one, against Chicago newspaper publishers, is in its ninth month. At the last reckoning, on July 20, it had cost the union \$3,471,538 in strike benefits alone.

Many publishers have compromised on I.T.U.'s union-security demands to avoid a strike showdown. The latest: New York City newspaper publishers, who wound up six months of negotiations with an agreement. It gives a \$9-a-week raise, and what the union calls

"the maximum union security possible under the damnable Taft-Hartley act."

• **Opposed in Principle**—I.T.U. is opposed in principle to the T-H law. Thus, it refuses to have anything to do with it. Like two other top-ranking unions that haven't filed non-Communist affidavits for officers (John L. Lewis' United Mine Workers and Philip Murray's United Steelworkers), I.T.U. hasn't any real left-wing problems. Randolph and other officers have signed affidavits, but have not filed them.

As a result of this, the union is barred from access to the National Labor Relations Board. Much of the debate at the convention last week revolved around the question of how serious an exclusion this really is. The union's top men say it's worth the price. Among them are Randolph and Gerhart P. Van Arkel, I.T.U.'s legal counsel who is conducting its court fight on the T-H law.

• **Benefits and Burdens**—"We want neither the benefits nor the burdens of the law," Randolph told delegates representing 88,000 printers. "The benefits are nonexistent and the burdens are heavy indeed. It's not collective bargaining, it's collective begging. We have no more need to beg now than we have had for 100 years."

A resolution rejected a proposal from the floor that affidavits should be filed. Randolph and supporting leaders won other vote tests in the same way. But it was obvious that I.T.U.'s troubled

times have bred growing opposition to current leaders. So far, however, the opposition is nowhere near strong enough to challenge the Randolph leadership. Randolph is still firmly in the saddle.

• **Varityping Threat**—I.T.U. delegates had another major problem before them in Milwaukee: the spreading use of new machines and new processes of publishing (BW—Mar.13'48,p22). The emphasis was on the Varityping process, by which Chicago newspapers have continued to come out despite the printers' strike.

Convention speakers said that the union shouldn't oppose "technological progress." But they insisted that it should fight a situation in which typists are hired at perhaps \$30 a week to do work a displaced printer would get \$99 for. Thus, the Varityping fight quickly turned into a demand for a standardized wage for Varityping jobs, as classified under I.T.U.'s existing scales.

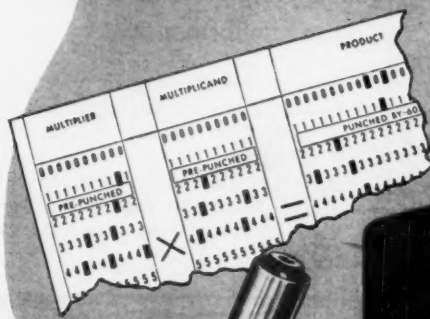
• **Preparation**—Actually, I.T.U. isn't too worried that present substitute publishing methods will last beyond a strike period. It is looking ahead to the day when a more efficient system—involving, perhaps, electronics in the setting of type—may supersede present typesetting methods. I.T.U. wants to be ready to take jurisdiction over that sort of operation.

Hence, the convention moved to enlarge the membership scope of the union. It went at this obliquely: Delegates had a resolution before them that would have limited membership to practical printers and mailers. Randolph called for its rejection. He warned that it would bar the door to clerks, office workers, lithographers, pressmen, Varityping help, and any others who are—or may later be—engaged in the printing industry. Delegates voted Randolph's way, but later refused to support a floor plea for a single, big printing trades union.

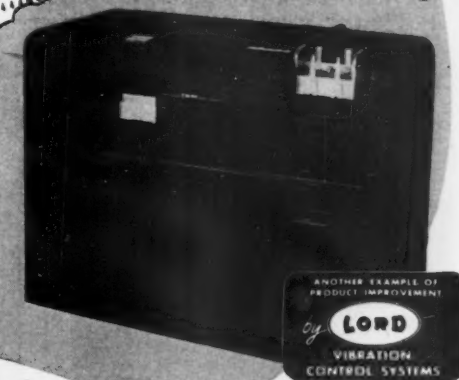
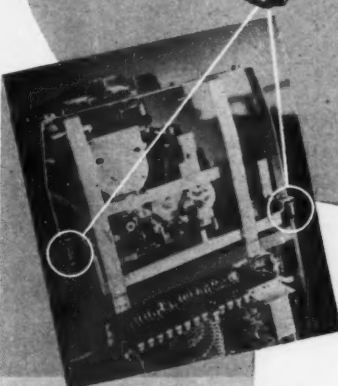
The recent New York City contract specified that publishers won't use Varityping or other typesetting substitutes in producing newspapers; I.T.U.'s local union agreed to forego jurisdiction over Varitypers who work on promotional material, etc. The contract provides that the ban on use of Varityping is to be lifted at any time I.T.U. strikes, but only for the duration of the strike.

The Pictures—Acme—81; Corsini, Standard Oil Co. (N. J.)—38; Ewing Galloway—24 (bot.); Harris & Ewing—61, 70 (right); Int. News—24 (top); Iron Age—21; copyright Karsh—28; Transatlantic—46; Wide World—32, 64, 70 (left, center), 72, 74.

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Wage Geography

Pay rates still vary widely in the U. S. Union strength, labor supply big factors. Third round wasn't uniform.

How do hourly rates for given jobs compare in different industrial areas?

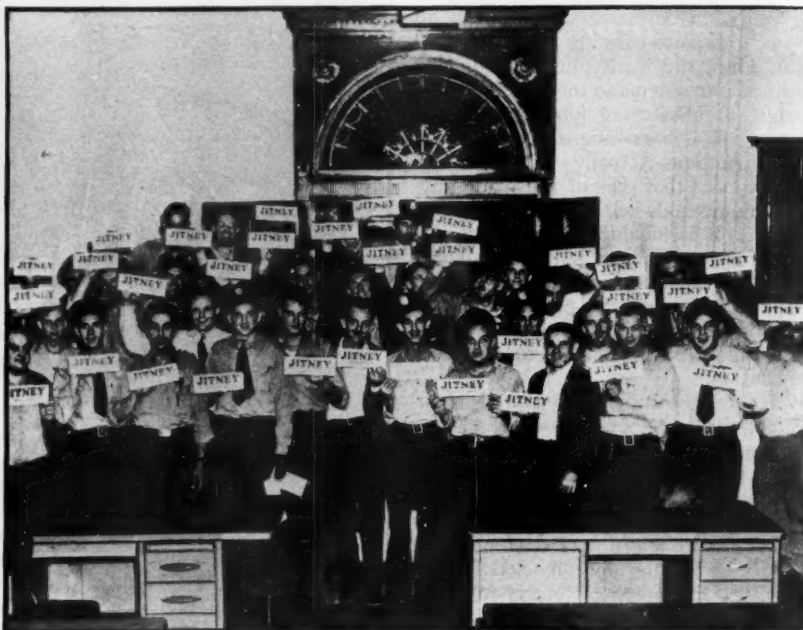
What are the low-pay and the high-pay sectors?

Are wage differentials between cities and areas narrowing appreciably?

These questions have some real mean-

ing for management in the light of recent events. Third-round settlements this year haven't stuck like glue to a national pattern. There have been variations enough to indicate that in many cases the location of a plant is a real factor.

• **Southern Textile Rates**—New textile wage agreements in the South are an example. C.I.O.'s Textile Workers Union of America signed up several months ago for an 11¢ increase in northern cotton mills; in the South, the union took 8¢ (BW—Aug. 14 '48, p96). It had been forced in negotiations to abandon its attempt to maintain North-South wage parity (established last



STRIKING BUS DRIVERS display licenses to carry passengers in own cars, but . . .

Dearborn's Jitney Service Stalls

Striking bus drivers—and Dearborn (Mich.) officials—last week thought they had found a road open for strikebound public transit: Strikers were licensed as jitney operators with permits to carry passengers in private automobiles on regular Dearborn Coach Co. routes.

• **Obstacle**—This week, the striker-jitney service bumped into a major road-block, and there was still a transportation emergency. Reason: The drivers found that they couldn't afford liability insurance as common carriers—or they couldn't get it. City officials appealed to the jitneys to keep running. Most drivers refused; they weren't willing to carry paying passengers without insurance.

Drivers are members of the A.F.L. Street Car & Bus Operators Union. Back of their strike was a wage dispute. The company offered them a 10¢-an-

hour raise, refused a union demand for 25¢ on the ground that it would force a fare boost.

• **Good While It Lasted**—When negotiations broke down, the union hit on the jitney plan to prevent public hardship—and to curb public ill-will against the strike. When the city agreed, strikers divided their time between picket duty and jitney driving. They used their own cars, paid their own expenses, profited on the fares they pocketed. The substitute service got a good-humored reception. And it warded off a really serious transit snarl for a week—until the liability-insurance bugaboo sent most private jitneys back to their garages.

The Dearborn city council is studying another possible way out: municipal ownership and operation of the line.

year). The southern contracts now have a 3¢ differential (the minimum is 97¢ in the North, 94¢ in the South).

• **Other Reasons**—The differentials issue has popped up in other negotiations, too. Hence, regional wage studies are important now for companies with widely scattered locations. They are also important because the shakeup in basing-point pricing and other forces—including defense problems—are accelerating industrial migration.

One thing every employer is bound to ask, in selecting new industrial plant sites, is: How much is an hour's labor going to cost me?

• **Where to Look**—Executives seeking an answer can look for guidance in several newly available analyses.

• One from the Bureau of Labor Statistics summarizes data on "Intercity Wage Differences." While it is based on BLS' 1945-1946 surveys of wages in selected industries in 22 cities, it's still sound.

• Another from BLS tells the history of "Regional Wage Differentials: 1907-1946."

• A third is Business Week's recent report to executives, "America's Changing Industrial Map" (BW—Aug. 7'48, p65).

• **Differentials Still Exist**—These analyses show that wage differentials—between sexes, jobs, industries, and areas do exist. They have been narrowed over the years but not eliminated. Importantly, they don't always follow a set pattern. There are pitfalls for those who don't triple-check the figures.

BLS reports that wages in the Northeast and Midwest average 15% higher than those in the South, 15% lower than those in the Far West. However, there's little to be gained in looking solely at those average regional figures.

• **Rates Vary with Cities**—Here's one good reason why: Wage rates vary between cities in a region. When BLS surveyed average workers' earnings in 22 industrial cities it found significant differentials. In the Northeast, earnings are higher in New York City than in Philadelphia. The difference is about 20%—with Philadelphia listed at the regional "wage par." In the Midwest, Milwaukee is par, Detroit is 15% higher.

• **Rates Vary with Industries**—Moreover, while wages in many industries follow city and perhaps regional averages, many others do not. One reason: varying extent and strength of unions. For instance:

New York City has top wages in the tightly organized apparel industry. But it's in eighth place for wages paid in the less strongly unionized metalworking industry.

Detroit is the high-pay city in heavy industries, but sixth in baking.

Memphis wages for automobile repairmen and clothing salesmen are as



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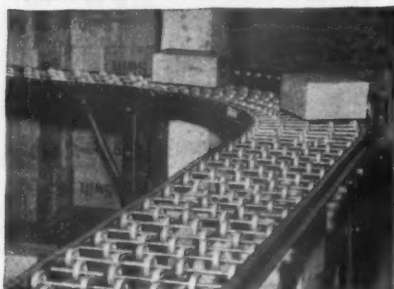
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high as those in northern cities. But power laundry and warehouse wages are 35% lower.

Los Angeles apparel workers get less than those doing the same jobs in New York—but chemical workers get higher pay than they would in Gotham.

• **Rates on Hiring**—As a general rule, new industries adopt prevailing wage scales for comparable work. But it's not always possible to offer prevailing wage scales—and still find the plant personnel you need. If these workers are in short supply, the hiring rates shoot up. In part that's demonstrated by the way southern wage levels have varied with industrial ups and downs.

In 1919, when southern industry had been needled by war production, its industrial wage level rose to 86% of the average in northeastern plants. During depression shutdowns, southern wages dropped to 74% of those in the Northeast (1931-32). In recent years, when industrial expansion again began to drain the available southern labor pool, the southern wage average went up again—to 85%.

• **Careful Study**—All these factors need to be studied carefully in comparing local wages for a specific purpose. The raw data required, if not available from a company survey, usually can be tracked down to BLS and other public sources.

Blow to Foremen

Court rules employers may fire supervisory workers who join union. F. A. A. will appeal decision in Budd case.

Management this week saw a recent federal court decision as a clinching nail in the coffin of foremen's unions.

The decision, in the Sixth Circuit U. S. Court of Appeals at Cincinnati, says that employers may legally:

DISCHARGE supervisory workers who join a union.

INTERFERE at will with union activities of supervisory workers.

• **Broad Significance**—The court decision could have broad significance. It is another serious blow to organizing work of the Foreman's Assn. of America and other supervisory groups. F.A.A. has shown little signs of life since the Taft-Hartley act took away collective bargaining rights from unions of supervisory workers—reclassifying them as part of management instead of "employees" covered by the law.

F.A.A. now has slumped from a peak membership of 30,000 in 350 chapters to a claimed 10,000 in 100 chapters. Many of these are no longer active, but they could come to life again if super-

visory unions could get court or congressional sanction. The Cincinnati decision dashes any immediate hopes of help in the courts.

But the ruling has another significance that is worrying many labor leaders: There isn't any legally binding definition of who actually is a supervisory worker. That means that there's nothing to stop employers from reclassifying key employees—particularly those with professional and technical importance—as supervisory workers. The result would be to establish a wide lower echelon of management—safely out of the reach of union organizers.

• **The Background**—The Cincinnati decision came in an important test case brought by F.A.A. against the Budd Co. (formerly Edward G. Budd Mfg. Co.) in Detroit. The union wanted the court to enforce a 1944 (Wagner act) order of the National Labor Relations Board—that Budd stop discouraging its supervisors from joining F.A.A. The case dated back to Budd's discharge of a foreman, Oscar Owens. It has gone through lengthy litigation. Last December, the U. S. Supreme Court upheld an order to reinstate Owens with back pay amounting to about \$17,000. The court said that the T-H act didn't relieve Budd of its responsibilities under previous laws. But that didn't settle the question of what Budd could do with other supervisors with T-H in effect.

The high court sent the "cease and desist" order back to the Sixth Circuit U. S. Court of Appeals. In recent hearings on it, F.A.A. intervened to challenge the constitutionality of all T-H curbs on foreman unionization.

• **The Ruling**—Now the circuit court has rejected the union argument against validity of the T-H law. And it has said in explicit language:

"Congress intended by enactment of the [T-H] act that employers be free in the future to discharge supervisors for joining a union, and to interfere with their union activities."

F.A.A. said that it will appeal the decision.

• **Limited Application?**—The court ruling is not considered a go-ahead signal for discharge of foremen who already are members of F.A.A. It's generally interpreted to apply to only two groups of supervisory personnel: those who have signed union cards since the T-H law was passed, or those who might sign up.

Even if it could be applied to all foremen, it's doubtful that many would get discharge slips. Management isn't anxious to jeopardize the real progress it is making in fighting foreman unionization in another way—by correcting (1) the inadequate pay scales and (2) the indefinite status of foremen (as neither a real part of management nor production workers) that gave foremen's unions a start.

INTERNATIONAL OUTLOOK

BUSINESS WEEK

AUGUST 28, 1948



It's no surprise that the Moscow talks have dragged on. East and West have been discussing the main issue that divides them—Germany—and, in effect, a general European settlement.

Our goal is to make at least the western German zones a real part of western Europe, strategically and economically.

Moscow has a different objective. It would make Germany a neutralized buffer between East and West. The Russians manufactured the Berlin crisis to force this kind of settlement on us.

Only by such a deal—or a successful war—can Stalin solve the problems created by his grandiose postwar ambitions.

Here is the chain of events that binds the Kremlin:

Russia aimed at building a Eurasian empire stretching from the English Channel to the Japan Sea. The industrial hub and arsenal would be east of the Urals. Here Soviet resources would be poured in lavishly.

Central and western Europe would come his way—so Stalin figured—without any shooting. The U.S. would back out, leaving Europe in chaos. Then the local Communist parties would take over hands down.

Western Europe's industry would come under the Soviet postwar Five Year Plan. It would contribute both capital and consumer goods to Russia. Germany would be kept weak, functioning only as a defense outpost and a relatively minor source of supply.

But western Europe didn't fall into Stalin's lap. The U.S. stayed put.

Russian control of the Mediterranean was blocked when the Truman Doctrine took us into Greece. Western Europe's economy was shored up by the Marshall Plan.

All the while the Urals became a millstone around Russia's neck.

The enormous expansion of war potential there siphoned off materials that might have gone to reconstruction. Consumer goods output suffered. And western Europe contributed less than prewar to the Soviet economy.

Worse: Political unrest reared its head inside Russia.

By mid-1947 it was clear that Stalin's plan was going awry. So Stalin moved on both the domestic and foreign fronts.

Inside the USSR, drastic measures were taken to drive up industrial output. The ruble was devalued; government expenditures cut; higher taxes slapped on the private holdings of collective farmers; incentive pay boosted; discipline tightened up in key industries.

In eastern Europe, the screws were put on the satellite nations to squeeze out more goods for Russia.

Stalin's internal reforms helped some. But they didn't come near closing the gap between demand and supply.

The new pressure on the satellites was resented and resisted—especially in Czechoslovakia and Yugoslavia.

The Czech Minister of National Economy, Ripka, refused to toe the line. He tried to widen trade contacts with the West, cut exports to the Soviet Union. This was one of the things that led to the Communist coup in Prague last February.

Meantime, the Kremlin thought it could get control of France and Italy—and their goods—through the local Communist parties. The Cominform was

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

AUGUST 28, 1948

set up last September to do this job before the Marshall Plan got under way.

In December the French Communists made their unsuccessful bid for power through a general strike.

In April came the Italian elections. Again the Communists lost. (The Czech coup helped give Italian voters the jitters about Communism.)

Thus, the Cominform offensive had failed in its main objectives. More than that, the Italian election brought Soviet-Yugoslav friction into the open.

Yugoslavia's dictator, Marshal Tito, had been the leader of the aggressive Communist wing in Europe. He had pushed for strong tactics in Italy and France—against the advice of Italy's Togliatti and France's Thorez.

The defeat in Italy smashed Tito's tie with Russia. Some kind of show-down was inevitable.

For not only did Tito's strongarm tactics fail, but also he now had some demands to make on Stalin. He needed machinery for his ambitious Five Year Plan (BW-Jul.24'48,p108). He had counted on a Communist regime in Rome to give him access to northern Italy's heavy industry. With this prospect gone, he would have to ask Moscow to give him capital goods in return for Yugoslavia's minerals and metals.

Thus, the Stalin-Tito clash came. (This week Moscow moved a step farther with its plans to overthrow the Tito regime. It tightened the economic blockade and moved more Soviet troops into Romania.)

Tension kept growing inside Russia. The Russian people were dissatisfied with living conditions—poor housing, poor consumer goods, failure of the currency devaluation to do much except increase the food supply some.

This dissatisfaction came out in the elections for local Soviets which were held from December, 1947, through February, 1948. The percentage of non-Communists elected was far above normal.

Here are some of the figures: Russian Soviet Federative Socialist Republic, 53.2% non-Communists; Georgia, 59.9%; Ukraine, 68.2%; White Russia, 73.3%.

And remember this: Russian elections are fixed. Only one slate of candidates is submitted to the voters. How, then, did all those nonparty members get on the ticket?

The answer is that the Communists felt the anonymous public unrest. They tried to ease it by letting nonparty members help run the show.

But this effort at political appeasement hasn't helped much. Reports seeping out of Russia indicate serious trouble, especially in the Ukraine.

Here's what all this adds up to: Stalin has a crisis on his hands.

To make his regime secure he has to take the gamble of a shooting war or get a breathing spell in the cold war against the West. A breathing spell would give him his chance to get absolute control over eastern Europe's production and trade. This would ease economic tension inside the USSR.

But Stalin will get no breathing spell unless there's an East-West settlement on Germany. And this is what he wants a German settlement to do:

(1) Halt—or drastically slow down—our plans to build a separate, German state tied to the West.

(2) Give Russia access to west German output, via reparations and trade.

Stalin figures he could neutralize Germany this way—and prevent the West from getting too strong.

BUSINESS ABROAD



THESE CITRUS PRODUCTS of Palestine alone won't be able to answer the question . . .

Can Israel Pay Its Way?

Its inhabitants lay plans for a prosperous future economy in the midst of warfare with the Arabs. Small specialty industries will be its base. But the country will need capital from abroad.

Plans were being laid at Tel Aviv last week for the State of Israel's great expectations. One of these is a \$300-million building plan, involving 80,000 new dwelling units and a new highway system, to be started "as soon as possible." Another is a bid for more industry from the U. S.

• **Here to Stay**—All this was going on in the midst of deep trouble. Arabs and Jews are still taking pot shots at each other. And the western powers are still hedging on full recognition of the new state. (Britain was reported last week to be ready to block Israel's admission to the United Nations.) Nevertheless, Israel is here to stay—for a while at least.

So this is the big question: How can Israel support itself? Zionist prophets say that the population—now less than 1-million—will be pressing 4-million by 1958. The problem is to absorb this increase without sacrificing the standard of living.

• **Shaky Structure**—It's hard to predict the future shape of Israel's economy. Right now it's a rather shaky structure. As an Israeli economist put it: "The arrival of one ship can alter the supply situation of the whole state." One trend is sure: There will be more and more industry. Before the war, Palestine was

for the most part an agricultural country.

But as the Jewish population grew, industry grew with it. Chances are that when Israel's economy takes permanent shape, 70% of the population will be employed in industry and services.

It will be a small businessman's country. Heavy industry is out. Israel is too small, too poor in raw materials to support industrial giants like steel mills. Its strong point will be highly diversified specialty industries—diamond-cutting, high grade pharmaceuticals, precision instruments, for example. These are the kinds of skills that individual Jewish immigrants bring to their new homeland.

• **Industry Is Vital**—The development of new industry is vital. The annual bill for imported food and raw materials must be met with exports—and right now there is a big deficit. In 1945—last year for which figures are available—imports totaled better than \$162-million; exports only about \$81-million (on the basis of a Palestine pound worth \$4).

And Israel will be dependent on imported food and raw materials for some time to come. For the next two or three years, the Israelis expect to be paying about \$80-million a year for food. They

expect to be importing 25% of their raw materials (including semiprocessed goods) on a permanent basis.

• **Citrus**—It won't be easy to pay the bills with the revenue-earners Israel has now. The big item on prewar Palestine's export list was citrus fruits (picture). They earned Palestine \$7.2-million in foreign exchange in 1939. But citrus is far less of an asset to Israel now. Output is off 50% due to the Arab conflict. (Some 40% of the citrus fruit harvest comes off Arab land.) And it's at best a fair-weather export. The market shifts right along with the ups and downs of the European—especially British—economy.

The citrus crops have given birth to a flourishing canning industry in Israel. About a sixth of the annual harvest goes abroad—mostly to Britain—in the form of concentrates from Israeli canneries.

• **Minerals**—Other valuable Palestinian exports in the past have been the minerals—mainly potash—from the Dead Sea area. Until recently, the Dead Sea deposits were being exploited by Palestine Potash, Ltd., controlled by Tennant & Co., Ltd., British chemical combine. (Palestine Economic Corp., the largest U. S. investor in Palestine, holds a minority interest.)

The potash works reached a peak output of 64,000 tons of potash and 590,000 tons of bromine in 1939. But when the British Mandate ended last May, the works were abandoned to King Abdullah's Trans-Jordan Legion. Since Trans-Jordan probably won't be able to operate the works without the aid of the former Jewish management, Israel stands to get revenue from them when and if a settlement is reached.

• **Oil**—Petroleum products earned Palestine some revenue in the past. Most of this came from the large foreign-owned refineries, located on Jewish land around Haifa. No agreement has been worked out as to their status under the new state.

Refinery operations at Haifa came to a halt after the British withdrew. The Israelis are operating one on a small scale to supply their present needs. (The Arabs shut off the Iraq Petroleum Co.'s pipeline leading from the Kirkuk oil-fields in Iraq to Haifa. But some crude is coming by sea to Haifa from Eastern Europe.)

• **Boom?**—Peace should bring a boom to Haifa refineries. Consolidated Refineries, Ltd.—owned jointly by the Anglo-Iranian Oil Co. and the Shell group—has plans ready to up the capacity of its Haifa refinery from the present 4-million tons a year to 7.5-million tons a year.

Israel may have some crude oil of its own. Until the war disrupted things, Palestine Economic Corp., was financing a venture in the Dead Sea area. Said a company official, "We've only

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• **Not Enough**—Israel has little else to offer now in the way of natural wealth. And these items will fall far short of giving the new state a balanced trade. For some years yet the deficit will have to be met by the import of foreign capital. If enough of the capital goes into export industries, in time Israel should be able to balance its trade.

During the war Palestine had a chance to flex its industrial muscles. The textile industry had a big boom supplying allied forces in the Middle East. Jewish diamond-cutters had the market to themselves after the Netherlands and Belgium fell. Some of this boom will carry over into peacetime.

• **Future Markets**—If the Arabs and Jews ever really bury the hatchet, there will be a big market for Israeli textiles in the Middle East. Raw materials—mostly cotton from Egypt—will have to be imported. But the many small spinning and weaving mills in Israel now form a good basis for a thriving textile industry. Most are equipped with up-to-date machinery made in the U. S.

The future of the war-born diamond industry is less rosy. Now that the Belgians and Dutch are back in business, the Israelis have lost some of the market that brought in almost \$23-million in its peak year, 1945. The Israelis are shooting at 60% of that figure.

• **New Investments**—But the test of Israel's economic future will come from the number of new investors, both at home and abroad, who set up shop in the next few years. Most will have to come from abroad, since Israel now has little money with which to import capital goods for industry.

There are some good signs already. Israel will be self-sufficient in rayon when the \$5-million plant of the Palestine Rayon Corp., scheduled to go up at Hadera (on the coast between Haifa and Tel Aviv), is completed. That will be within a couple of years. The plant, to be built by Oscar Kohorn & Co., Ltd., New York, is backed by 80% U. S. capital. P.R.C.'s manager, Leo Rosenstein, hopes to turn out enough rayon to allow Israel's textile industry to export finished rayon goods. A lot depends on the raw materials supply—pulpwood from Scandinavia which Israel hopes to buy with its citrus fruits.

The Palestine Economic Corp.—for many years active in Palestinian real estate, banking, and irrigation projects—is now out to lure other U. S. investors to the new state. One taker is a Massachusetts plastics-equipment manufacturer who plans to set up a plant in the near future.

• **Finances**—Israel has sterling balances of its own—amounting to about \$250-million—which may come in handy. London is releasing these at the rate of

about \$25-million a year for purchases in the sterling area. But Israelis say that this isn't helping much. Sterling area members either can't or won't sell the lumber, iron, structural steel, and metal fittings that Israel so desperately needs.

The \$100-million loan from the Export-Import Bank, which has been talked about but not yet granted, would be of much greater help. There is no end to what the Israelis want to do with this. One high-priority item is housing to meet the expected flow of immigrants. And there are plans for purchases of industrial equipment, agricultural machinery, food imports, and transportation improvements.

• **The JVA**—One doubtful but interesting use to which the loan might be put is the Jordan Valley Authority power and irrigation scheme.

It would supply the Middle East with cheap power equivalent to one-fifth that generated by Hoover Dam. It would bring under irrigation thousands of acres of wasteland in Trans-Jordan, Lebanon, Syria, and Egypt as well as Israel.

• **Air Castle?**—Most Israelis consider JVA strictly an air castle. It would cost at least \$1-billion and only the U. S. has that kind of money these days. All told, investments made to date in the economic development of Palestine add up to only some \$800-million. And then there's the political question: Much of JVA's vitals would lie outside Israel. So some sort of international authority would have to keep an eye on it.

But the enormous benefits JVA would bring the Israelis and their neighbors has made it a subject of endless debate in Middle East business circles. JVA would boost the industrial potential of the Middle East a hundredfold, enable Israel to absorb population increases easily. For these reasons JVA is still very much alive—at least on paper. Plans are being worked out whereby it might be built in bits and pieces.

• **The Construction**—Briefly the construction involved in this:

(1) The waters of the Jordan and Litani (Lebanon) Rivers would be diverted into long canals to irrigate the whole coast of Israel, the Jordan Valley, and much of Galilee and the area around Lake Hule.

(2) Water from the Mediterranean would be piped overland to the Dead Sea. The Dead Sea is 1,300 ft. below sea level. This drop would be used to operate hydroelectric plants along the way.

JVA is a dream to the Israelis. But no more so than present-day Israel was to Moses 3,000 years ago when he led the Jewish people out of Egypt, and gave them their religion and their laws. In the same tradition, the Israelis plan to earn their home and a place in the world if it takes another 3,000 years.



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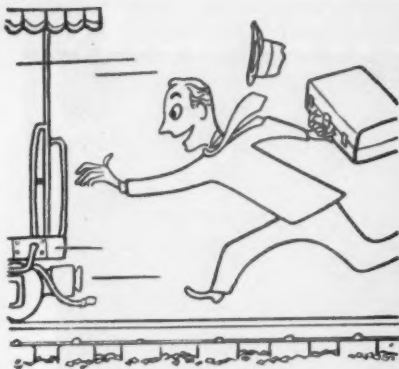
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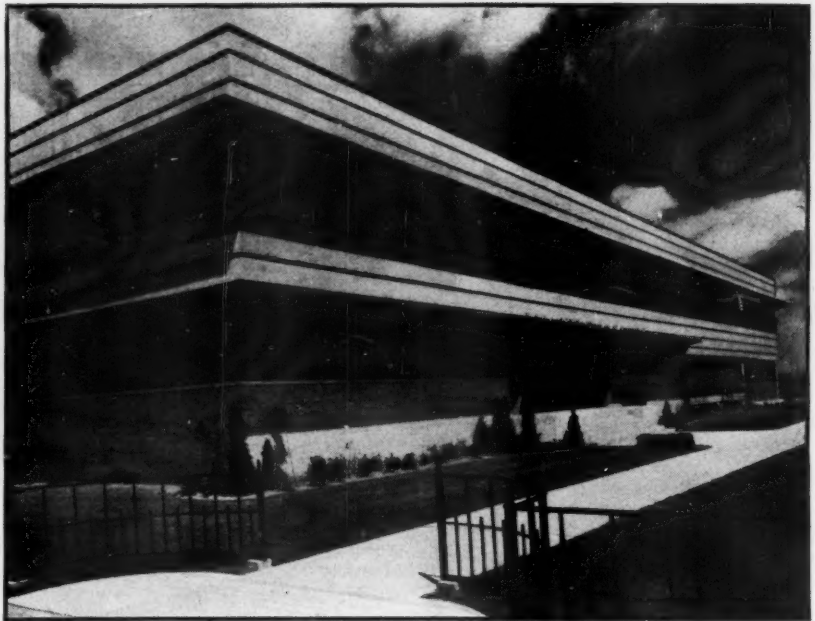
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NEW CANADIAN PLANT for Britain's E. S. & A. Robinson highlights a trend as . . .

Britain Builds In Canada

London's new rules will spur investment to set up manufacturing plants in Dominion. Canadian and U. S. markets are chief targets. Austin Motor Co. to make cars in Hamilton, Ont.

TORONTO—Last week, Ontario Premier George Drew, just back from England, told the world that Austin Motor Co., Ltd., is getting set to turn out cars in Canada. The company has bought a plant for the job in Hamilton, Ont.

At the same time Canadian business circles were buzzing with rumors that Canada would get its first try at television next summer. A British concern—Electrical & Musical Industries, Ltd.—will supply transmitters. Two others will make the receivers: Pye, Ltd., has leased factory space for this purpose at Ajax, Ont., just outside Toronto; A. C. Cossor, Ltd., is already in production at its Halifax, Nova Scotia, plant.

• **Vanguard**—These companies are the early birds in a flock of British manufacturers who will be setting up shop in Canada over the next 18 months. Most have their eyes on the Canadian market. But Austin and a few others hope to market some of their Canadian output in the U. S.

Before the end of the year, Austin plans to have its Hamilton plant turning out 200 to 250 cars a week. Later, production is to be stepped up to 500 cars a week. Right now Austin sales are averaging 1,000 a month in Canada and are about the same in the U. S.

• **Go Sign**—Last month the British government opened the door for British

investors in Canada when it announced it would "facilitate investments which can be shown to be advantageous to our dollar position." (The word "investment" covers expansion of existing enterprises as well as new ventures.)

This is what many British businessmen have been waiting for. During the past two years, some 30 concerns have been ferreting out sites, mostly around Toronto and Montreal. Products involved range from chemicals, electrical equipment, and foodstuffs to toys and candies—plus assembly plants for baby carriages, bicycles, and lawn mowers.

There won't be any stampede just yet. The British government has no master plan covering all prospective investors. Each case will have to be studied separately. And there will be a lot of red tape to cut through.

• **Requirements**—The would-be investor faces two "musts":

(1) He must show proof that he can get more North American business only by expanding in Canada.

(2) Financing must not involve a drain on Britain's dollar resources.

• **Financing**—So far a couple of financing methods have been suggested.

One was recommended by the Canadian government back in 1946. This would allow British holders of Canadian securities to sell out if they invest the money received in new British enter-

prises in Canada. Up to now the money from the sale of such securities was used to furnish dollars to repay the \$700-million interest-free loan Canada made to Britain in 1942. More than \$300-million of this loan is still on the books. Further payments on it will be deferred provided the money is used to expand British investment in Canada.

A second way to help prospective investors out has been suggested by at least one Canadian insurance company with operations in Britain. The idea works like this: The insurance company would make a Canadian dollar loan to a British company for investment in Canada. The loan is guaranteed by the investing company. If possible it would be repaid in Canadian dollars from the earnings of the Canadian subsidiary. If not, the investing company can repay the loan in sterling. The insurance company would use this sterling to cover its liabilities in Britain.

• **Big Field**—Financing problems should not be too much of a headache. And from the official British standpoint the headache would be well worth the pain. In 1945, when the last official count was taken, British investments in Canada totaled about \$1.7-billion. (Prewar British investments totaled about \$2.5-billion.) Only \$500,000 of this was in manufacturing, merchandising, and industrial enterprises. Most of the rest was tied up in Canadian financial institutions and government and railway securities.

That \$1.7-billion falls a long way short of U. S. investments in Canada. In 1945, these amounted to nearly \$5-billion. And after the war, until dollar restrictions were clamped on, U. S. investors had a field day expanding their Canadian holdings and building new plants. The British lagged far behind. One big exception was A. V. Roe Canada, Ltd. This concern, in partnership with the Canadian government, is operating a huge aircraft factory near Toronto. The plant is turning out jet engines, jet fighters, and jet commercial transports—30 of which will be test-flown next February.

• **On the Way**—In the next year or so several British firms will have their innings. Some are ready to set up shop; some are even in production. Typical of these concerns are: E. S. & A. Robinson (Canada), Ltd., operating its new printing and stationery plant near Toronto (picture, page 84); British Industries, Ltd., assembling bicycles and lawn mowers at Toronto; Peek Frean & Co., Ltd., building a biscuit factory in Toronto; Wolsey, Ltd., turning out knitted goods in Quebec City; Lines Bros., Ltd., making toys in Montreal; Johnson Bros., Ltd., fixing up a Hamilton (Ont.) plant to produce chinaware; and J. Lyons & Co. (Canada), packing tea and coffee at Toronto.

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ECA'S LEDGER

Reports from Abroad

After taking a look at western Europe's production figures for the first half of 1948, the Organization for European Economic Cooperation last week reported some pluses and some minuses.

OEEC figures showed over-all steel production up 25% over 1947; coal, up 6%; electricity, up 10%.

Productivity was up, too. European coal miners' output per man-shift rose an average of 1.4% over last year. But miner output is still behind prewar: French output per man-shift is only 75% of what it once was; Belgian, 77%; British, 94%; Ruhr, 59%.

And OEEC painted a gloomy picture of intra-European trade. The darkest part was the lapse in East-West trade. Last year exports from OEEC members to eastern Europe were only 44% of prewar totals; imports from eastern Europe, only 33%. OEEC estimates that if prewar East-West trade levels were restored, Marshall Plan nations could cut their trade deficit with the Western Hemisphere by 25%—over \$2-billion.

Other developments:

- **Trade Help**—OEEC expects to have the details of its plan to boost intra-European trade ironed out by next week end. ECA headquarters in Washington has already given tentative approval.

Here is a hypothetical case showing how OEEC's plan will work:

Suppose France expects to run up a \$10-million deficit in its trade with Belgium over the next six months. And suppose Belgium doesn't think it can put France on the cuff that much. Then, in effect, ECA steps in and buys \$10-million worth of Belgian francs to give to France to cover the deficit. Belgium gets the dollars; France, the Belgian francs.

But in order that France doesn't get the \$10-million as an outright gift, it has to set an equal amount of French francs into its own counterpart fund.

The plan has already drawn fire from both the creditors and the debtors. The debtors fear the creditors will price their goods so high that the transaction will lose its value. The creditors, on the other hand, feel they are getting gypped out of some goods which they could sell more profitably elsewhere.

It will be the job of ECA-Paris staff to pour oil on the troubled waters.

Reports from Washington

For the week ended Aug. 20, procurement authorizations totaled \$81,393,807—off \$20-million from last week. Big items: coal, copra, and wood pulp;

only \$10.1-million was used for food.

France, with \$36-million, was the big taker—getting mainly coal and wheat from the U. S., copper from Chile. Bizonia got \$6.6-million for copra from the Dutch East Indies, and pulp from Sweden; Austria, \$5.9-million, mostly for German coal; Denmark, \$3.8-million, mostly for Canadian barley and South American cattle feed. The rest was split between Greece, Netherlands, the French zone of Germany, China, and Norway.

Allotments. Bizonia's allotment for the July-September quarter was upped from \$42-million to \$85-million. The reason given for the increase: More complete information from the Anglo-American military governments showed greater need.

Policy. ECA will allow its aid to be extended to various colonial areas, where the projects involved are deemed worthwhile. In the case of Britain this includes most of its African colonies (except Southern Rhodesia, a net dollar earner which makes it a special case), but excludes the Dominions.

So far only one request for colonial aid has come up: Britain wants some agricultural equipment for an African peanut program. OEEC is thinking it over, hasn't indicated whether it will say yes or no.



Argentine Adviser

J. S. Ferguson, superintendent of Armco Steel Corp.'s Hamilton (Ohio) plant, will be the brain behind Argentina's newest steel mill. The integrated plant, to go up at San Nicolas on the Parana River, will be able to fill most of Argentina's steel needs. The Argentine government and local private interests are financing the project.

The job is right up Ferguson's alley. He masterminded a steel plant for the Russians at Stalinsk, Siberia, in 1931; another for South Africa in 1933.

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THE TREND

What You Think of the T-H Law

Labor union leaders have been loud and consistent in calling for repeal of the Taft-Hartley act. It is usually condemned by them as a "slave labor" law. They call it a sellout to management. The T-H law, unions say, revoked labor's Magna Carta—the Wagner act.

It would seem easy to deduce from that premise that company officials who also have to live with the law are way over on the other side of the fence. They should be unanimous, you would think, in praising the law. They should be gloating over the chains which bind labor.

But, is that the case? Is the T-H law management's pride and joy? Not according to what we have been told.

During the past year we have had talks with dozens of management men from company presidents on down the line. We asked questions about a lot of things. One query was: What are your views on the operation of the new labor law? It jarred us the first time we got a reply that the law didn't make much difference as far as their own labor relations problems were concerned. We heard it often enough in succeeding confabs to convince us our ears weren't playing tricks on us.

As the date of the first anniversary of the law's effectiveness (Aug. 22) approached, we decided it was time to broaden our research. We wondered: What did a scientific sample of management men think of the law? What effect had it had on labor relations? McGraw-Hill Research was asked to do a survey. A total of 528 interviews was obtained. The top man in each plant in charge of labor relations was interviewed. All parts of the country were checked. Many kinds of industries were included. As many little companies as big companies were on the calling list.

Last week, *Business Week* published the results of that survey (BW—Aug. 21 '48, p19). They were revealing and interesting. Read them if you haven't done so already. We want to comment here on some of them. We have a general comment to make, too, about management's response, and we have a proposal to advance.

The Results

Only one out of four reported that the law had eased their labor relations. And those who did talked mostly about the pleasant bargaining atmosphere that had been created. Negotiations were simplified, they said. Greater harmony and cooperation had been brought about, they felt. The labor leaders they dealt with seemed more reasonable, less aggressive.

Only a very few, on the other hand, thought that management had gained a stronger bargaining position.

Roughly three out of four said the law hadn't made any difference as far as labor relations were concerned.

Less than half the men interviewed thought the act should stay on the statute books as is. A larger group

thought it needed amending. That doesn't look like the law was the bountiful answer to management's prayer.

On proposed amendments, management's replies were also rather startling to us. Only half, for example, thought that industry-wide bargaining should be prohibited. Before such a prohibition can ever be put in the act, therefore, it appears that a lot of men on management's side, as well as on labor's, will have to be convinced that it is a good idea.

Equally astonishing was the score showing that three out of four management people favor compulsory arbitration to settle national-emergency disputes after mediation and fact-finding fail. Almost every expression we had heard before indicated that management uniformly opposed compulsory arbitration.

The Response

Each person interviewed was told he would not be quoted. He was told the results of the survey would be used for a statistical study only.

On that confidential basis, the people who answered evidently gave their free opinions. They expressed their views on labor problems privately—just as they can express their opinions privately next November on political candidates and political parties.

The over-all response indicated that (1) management is not trying to use the T-H law as a blackjack on labor; and (2) management has not found the law to be a powerful promanagement weapon. The general response signified to us that management is trying to handle labor relations on a decent basis. And we got the distinct impression that management didn't feel that labor was being hurt in the process.

A Proposal

In your own company, you may deal with a single union. Or you may bargain and make agreements with several unions.

We suggest that you do this: Show the results of *Business Week's* opinion poll to the heads of those unions in your plants. Let them see what a cross-section of American businessmen reported as their reactions based on their experience during the first year's operation of the T-H law.

A study of the management poll should prove to them that there really is little basis for believing that the T-H law is manna from heaven for management. It should make clear that the new law is not a one-sided proposition. T-H puts the two sides more in balance than was the case before, and gives management new responsibilities as well as new rights. And it should help to drive home the fact that there is more harmony in labor relations now than ever was possible under the Wagner act.

Railroading's

too big for SQUIRTS!



TAKE A GOOD LOOK, next time you see a man squirting oil into a journal box. It's a passing scene. Soon only bicycles will use oil on their axles. The changeover actually started years ago. The New Haven Railroad, already using the Fafnir Combination Ball & Roller Journal Bearing, figured a railroad was too big a business to run on by-squirt-and-by-guess lubrication. Wouldn't grease be cleaner, longer lasting, more economical and afford better protection? For months Fafnir and New Haven engineers were up to their eyebrows in greases . . . trying to find a grease that would take everything. They finally found it . . . a grease much more stable than any car oil, maintaining a constant torque over a much longer temperature range with no evaporation loss at the highest operating temperature and still plastic at temperatures to 40° below zero.

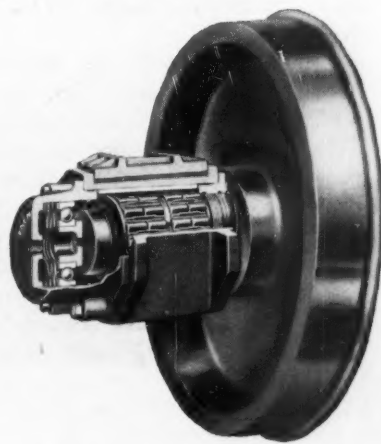
One-shot lubrication vs. squirt-and-guess

So New Haven started immediately to switch to Fafnir grease-lubricated bearings. Before long 209 cars were proving these grease-lubricated bearings stayed cleaner, lasted longer and cut maintenance to the bone. Clinching proof was the recent order by New Haven to Pullman-Standard for 207 new, streamlined cars of various types each equipped with these performance-tested Fafnirs. Ten years and 416 cars are proof enough for anyone. Other roads followed suit. No railroad has maintenance man-hours to waste, today.

Cooperation is habit-forming

What's your business got to do with railroad journal bearings? The cooperative research that Fafnir does with practically every industry, as well as railroads, can have a lot to do with what you're making and how you're making it. The Fafnir Bearing Company, New Britain, Conn.

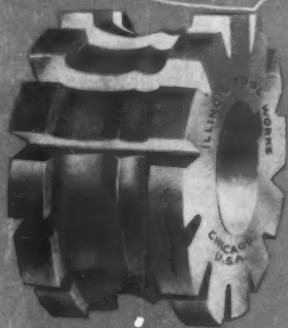
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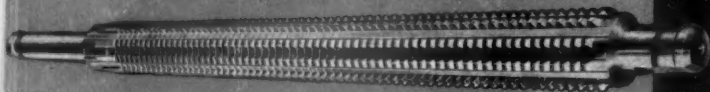
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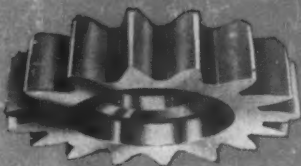
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